Chapter-II

REVIEW OF LITERATURE

2.1. Introduction

There is a diversified literature on social capital in all branches of social sciences, i.e. in economics eg. Alesina and La Ferrara (2000); Knack and Keefer (1997)), political science (e.g. Putnam et al. (1993); Putnam (2000); Hardin (1999) and sociology (e.g. Granovetter (1988); Coleman (1988); Fukuyama (1995); Portes (1998)). It is therefore not astonishing that the terminology `social capital' is widely-used and the impact on performance has been investigated on various occasions. Furthermore, the importance to recognize social capital in economic models is emphasized due to the fact that ignoring the impact of changes in physical capital on a form of social capital can lead to the unintended consequences of physical capital being less productive than desired (Ostrom, 1994). However, social capital is probably one of the most successfully introduced `new' concepts in economics since the end of the last century (Beugelsdijk and van Schaik, 2005). Generally, the idea of social capital corresponds to the effect of social relations and networks of such relations on social behavior and institutions. This is in line with Putnam et al. (1993) who argued that differences in the effectiveness of regional governments and economic performance can be explained by regional differences as to how society is organized, by the regional social capital endowment, respectively. Individual factors facilitate cooperation at the collective level, i.e. performance of political institutions and of the economy (Putnam et al., 1993; Knack and Keefer, 1997). The definition of social capital as features of social organization, such as trust, norms, and networks, that can improve efficiency of society by facilitating coordinated actions"(Putnam et al, 1993) seems to be generally acceptable and universally valid because it only stresses the possibility of efficiency improvement, but controversy discussions and critical acknowledgments of the postulated relationship weaken the explanatory power. Furthermore, the postulated proven finding of Putnam et al. (1993) that more social capital in Italian regions has a positive effect on the governance and economic performance is criticized regarding the approach taken and the lack of a theoretical mechanism between social capital and the other `dependent' variables (Jackman and Miller, 1996; Tarrow, 1996; Harriss and De Renzio, 1997; Paxton, 1999; Goldberg,
Moreover, it is generally accepted that the effect of social capital can be positive as well as negative. Therefore Putnam (2000) distinguishes between bonding and bridging social capital. The first type causes a lack in flexibility and may result in negative outcomes whereas bridging social capital, e.g. voluntary organizations, active political participation and civic awareness, is supposed to have positive effects (Paxton, 1999; Woolcock, 1998; Fedderke et al., 1999; Sabatini, 2009).

2.2. Conceptualization of Social Capital

The concept of Social capital is being used by researchers and practitioners approaching it from various disciplines and backgrounds for various applications, as a result its conceptualization becomes incredibly ambiguous. Therefore there is considerable diversity, controversy and disagreement surrounding the theory. Throughout history and until few decades ago, capital was viewed in terms of physical and monetary assets. With the widening of human knowledge two other concepts of capital emerged; the human capital and the social capital.

Before distinguishing between these two types of capital, let us ponder over the meaning of the term capital. The term "capital" is used by analogy with other forms of economic capital, as social capital is argued to have similar (although less measurable) benefits. However, the analogy with capital is misleading to the extent that, unlike traditional forms of capital, social capital is not depleted by use, but in fact depleted by non-use ("use it or lose it"). Thus, it is similar to the now well-established economic concept of human capital. According to some of these authors (Falk and Kilpatrick 1999; Hofferth et al. 1999; Inkeles 2000; Lake and Huckfeldt 1998; Schmid 2000; Smith and Kulynych 2002), there is considerable controversy in the literature over the use of the term 'capital'. Portes (1998) elegantly posited the location of social capital in relation to other forms of capital: whereas economic capital is in people's bank accounts and human capital is inside their heads, social capital inheres in the structure of their relationships (Portes 1998). Adler and Kwon 1999, Coleman 1988, Bourdieu 1986 and Gant et al. 2002 had opined that Social capital is similar to other forms of capital in that it can be invested with the expectation of future returns, is appropriable, is convertible and requires maintenance. Robison et al. 2002 stated that Social capital is different from other forms of capital as
it resides in social relationships whereas other forms of capital (human) can reside in the individual.

Some people enjoy higher incomes than others. Some are promoted faster. Some are leaders on more important projects. The human capital explanation is that inequality results from differences in individual ability. The usual evidence is on general populations, as is Becker's (1975) pioneering analysis of income returns to education, but the argument is widely applied by senior managers to explain who gets to the top of corporate America managers who make it to the top are smarter or better educated or more experienced. But, while human capital is surely necessary to success, it is useless without the social capital of opportunities in which to apply it. (Ronald S. Burt, 1992).

With respect to consequences, social capital is the contextual complement to human capital. Social capital predicts that returns to intelligence, education, and seniority depend in some part on a person's location in the social structure of a market or hierarchy. While human capital refers to individual ability, social capital refers to opportunity. Some portion of the value a manager adds to a firm is his or her ability to coordinate other people.

Further, social capital cannot be traded by individuals on an open market like other forms of capital, but is instead embedded within a group (Gant et al. 2002; Glaeser et al. 2002).

Many authors identify that both forms of social capital, structural and cognitive, qualify as capital because they both require some investment of time and effort if not always of money (Grootaert 2001; Grootaert and Van Bastelaer 2002b; Krishna and Uphoff 2002). It can be concluded that social capital is unlike other forms of capital but also not sufficiently dissimilar to warrant a different term. Certainly it is the use of the term capital that makes the concept attractive to such a wide range of people given the bringing together of sociology and economics (Adam and Roncevic 2003).
2.3. The Different Approaches to Social Capital Conceptualization

Woolcock and Narayan (2000) have observed four distinct approaches the research has taken: communitarian, networks, institutional, and synergy (refer to table 2.1). These authors stated that 'the evidence suggests that of the four, the synergy view, with its emphasis on incorporating different levels and dimensions of social capital and its recognition of the positive and negative outcomes that social capital can generate, has the greatest empirical support and lends itself best to comprehensive and coherent policy prescriptions' (Woolcock and Narayan 2000). From the following discussion it can be seen that each approach has things to offer for an appropriate conceptualization of social capital.

Table - 2.1. Four views of social capital

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<tr>
<th>Perspective</th>
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<td><strong>Communitarian view</strong></td>
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<td>Local associations</td>
<td>Community groups</td>
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<td>Voluntary organizations</td>
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<td><strong>Network view</strong></td>
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<td>Community ties</td>
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<td><strong>Institutional view</strong></td>
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<td>Political and legal</td>
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<td>institutions</td>
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<td>Institute transparency, accountability</td>
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<td><strong>Synergy view</strong></td>
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<td>Community networks</td>
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<td>and state-society</td>
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Source: Woolcock and Narayan 2000

Other authors, for example Requena (2003) describe other breakdowns of approaches which has three types, social networks, associational participation and generalized trust. Another common analysis is based on the differences of the three early contemporary authors; Bourdieu, Coleman and Putnam (Schuller et al. 2000). The four approaches discovered by Woolcock and Narayan (2000) provided a very
sound analysis of the literature so will be discussed in some detail in following
sections.

The literature has demonstrated that the creation of social capital is a complex process heavily influenced by social, political, and cultural factors as well as by the dominant types of economic activities. While various aspects of the concept have been approached by all social science fields, some trace the modern usage of the term to Jane Jacobs in the 1960s. However, she did not explicitly define a term social capital but used it in an article with a reference to the value of networks. Pierre Bourdieu used the term in 1972 in his Outline of a Theory of Practice, and clarified the term some years later in contrast to cultural, economic, and symbolic capital. James Coleman adopted Glenn Loury’s 1977 definition in developing and popularizing the concept. In the late 1990s the concept gained popularity, serving as the focus of the World Bank research programme and the main subject of several mainstream books, including Robert Putnam's Bowling Alone. The concept that underlies social capital has a much longer history; thinkers exploring the relation between associational life and democracy were using similar concepts regularly by the 19th century, drawing on the work of earlier writers such as James Madison (The Federalist Papers), Alexis de Tocqueville (Democracy in America) to integrate concepts of social cohesion and connectedness into the pluralist tradition in American political science. John Dewey may have made the first direct mainstream use of "social capital" in The School and Society in 1899, though he did not offer a definition. In the contemporary academic literature, social capital is discussed in two related (but clearly different) ways. The first, primarily associated with sociologists Ronald Burt, Nan Lin, and Alejandro Portes, refers to the resources (such as information, ideas, support) that individuals are able to procure by virtue of their relationships with other people. These resources (“capital”) are “social” in that they are only accessible in and through these relationships, unlike physical (tools, technology) or human (education, skills) capital, for example, which are essentially the property of individuals. The structure of a given network—who interacts with whom, how frequently, and on what terms—thus has a major bearing on the flow of resources through that network. Those who occupy key strategic positions in the network, especially those whose ties span important groups, can be said to have more
social capital than their peers, precisely because their network position gives them heightened access to more and better resources (Burt 2000).

The second (and more common) approach to social capital, one most closely associated with political scientist Robert Putnam, refers to the nature and extent of one’s involvement in various informal networks and formal civic organizations. From chatting with neighbors or engaging in recreational activities to joining environmental organizations and political parties, social capital in this sense is used as a conceptual term to characterize the many and varied ways in which a given community’s members interact. So understood, it is possible to conduct a map of a community’s associational life, and thus with it a sense of the state of its connectedness. Woolcock and Narayan (2000) discuss four broad perspectives connecting social capital to development outcomes; the dual distinction posed here refers to the core definitions as applied across a range of substantive fields. The distinction between (a) and (b) is sometimes referred to as, respectively, ‘structural’ and ‘cognitive’ social capital (e.g., Krishna and Uphoff, 2002). In recent years, some scholars have suggested a third conceptual classification. Called “linking” social capital (Woolcock 1999, World Bank 2000), this dimension refers to one’s ties to people in positions of authority, such as representatives of public (police, political parties) and private (banks) institutions. Where bridging social capital, as the metaphor suggests, 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. Importantly, it is not the mere presence of these institutions (schools, banks, insurance agencies) that constitutes linking social capital, but rather the nature and extent of social ties between clients and providers, many of which are an inherent medium for delivering those services (such as teaching, agricultural extension, general practice medicine, etc.). So defined, access to linking social capital is demonstrably central to well-being, especially in poor countries and communities, where too often bankers charge usurious interest rates, the police are corrupt, and teachers fail to show up for work (Narayan 2000). Local leaders and intermediaries able to facilitate connections between poor communities and external development assistance (including government programs— Krishna 2002) constitute an important source of linking social capital. It is also important to recognize, however, that these different forms of social capital, like human capital, can be used for purposes that hinder rather than help
an individual’s welfare (Portes 1998, Woolcock 1998)—for example, when group membership norms confer obligations to share rather than accumulate wealth, or deny members access to services (such as preventing girls from going to school).

In his pioneering study, Bowling Alone The Collapse and Revival of American Community, Harvard political scientist Robert D. Putnam wrote Henry Ward Beecher's advice a century ago to 'multiply picnics' is not entirely ridiculous today. We should do this, ironically, not because it will be good for America — though it will be — but because it will be good for us." (Simon & Schuster, 2000). Putnam is not suggesting here that we must expand an already stable level of networking and civil interaction. He has found an overall decline in social capital in America over the past fifty years, a trend that may have significant implications for American society. Putnam speaks of two main components of the concept: bonding social capital and bridging social capital, the creation of which Putnam credits to Ross Gital and Avis Vidal. Bonding refers to the value assigned to social networks between homogeneous groups of people and Bridging refers to that of social networks between socially heterogeneous groups. Typical examples are that criminal gangs create bonding social capital, while choirs and bowling clubs (hence the title, as Putnam lamented their decline) create bridging social capital. Bridging social capital is argued to have a host of other benefits for societies, governments, individuals, and communities; Putnam likes to note that joining an organization cuts in half an individual's chance of dying within the next year. The distinction is useful in highlighting how social capital may not always be beneficial for society as a whole (though it is always an asset for those individuals and groups involved). Horizontal networks of individual citizens and groups that enhance community productivity and cohesion are said to be positive social capital assets whereas self-serving exclusive gangs and hierarchical patronage systems that operate at cross purposes to societal interests can be thought of as negative social capital burdens on society.

Though Bourdieu might agree with Coleman that social capital in the abstract is a neutral resource, his work tends to show how it can be used practically to produce or reproduce inequality, demonstrating for instance how people gain access to powerful positions through the direct and indirect employment of social connections. Robert Putnam has used the concept in a much more positive light: though he was at first careful to argue that social capital was a neutral term, stating “whether or not [the] shared are praiseworthy is, of course, entirely another matter”
(Edwards & Foley, 1997), his work on American society tends to frame social capital as a producer of "civic engagement" and also a broad societal measure of communal health (Alessandrini, 2002). He also transforms social capital from a resource possessed by individuals to an attribute of collectives, focusing on norms and trust as producers of social capital to the exclusion of networks.

Edwards and Foley, as editors of a special edition of the *American Behavioural Scientist* on Social Capital, Civic Society and Contemporary Democracy, raised two key issues in the study of social capital. First, social capital is not equally available to all, in much the same way that other forms of capital are differently available. Geographic and social isolation limit access to this resource. Second, not all social capital is created equally. The value of a specific source of social capital depends in no small part on the socio-economic position of the source with society. On top of this, Portes (1998) has identified four negative consequences of social capital: exclusion of outsiders; excess claims on group members; restrictions on individual freedom; and downward leveling norms. Led by a growing body of evidence which shows social capital as a potential contributor to poverty reduction and sustainable development, increasing efforts are being made to identify methods and tools relevant to social capital.

### 2.4. Problem with Conceptualization of Social Capital

As stated above, the conceptualization of social capital is the biggest challenge facing proponents of the theory. At present there is a lack of rigorous conceptualization of social capital (Krishna and Uphoff 2002). Lin, Cook et al (2001, p. 58) identified that there is a 'danger that we may reach a point where the term might be used in whatever way it suits the purpose at hand, and thus be rendered meaningless as a scientific concept that must meet the rigorous demands of theoretical and research validity and reliability'. Fine (1999) pointed out that social capital is taking over explanations of economic development, growth, and prosperity, he also suggest that social capital had other possibilities before being turned against the other social sciences by economics (Fevre 2000). Hean, Cowley et al (2003) made the observation that the accumulation of literature on social capital has begun to obscure the understanding of the concept. The inappropriate measurement techniques that
have been implemented have caused problems for understanding social capital at the conceptual level and led to debate over whether the concept is relevant or appropriate (Stone 2001). Or as McHugh and Prasetyo (2002) put it, 'the proliferation of competing definitions, analytical methods and applications associated with the term is perhaps only dwarfed in volume by the literature critical of its theoretical ambiguity, ambitious conceptual scope, and practical over-versatility'.

Glaeser, Laibson et al (2002) were very positive that economics will solve and answer problems with social capital theory; however Fukuyama (2001) was of the view that the economists' approach to understanding how social capital is generated is ultimately very limited. Good (2000) posited that social capital theory will develop over time through debate to be more usable and measurable.

Collier (1998) provided a good starting point for conceptualization, identifying that a conceptual model for social capital should identify the concept within the complexity of the social world, as defined by dynamic relationships between its components, rather than what at present often appears to be a disparate collection of circumstantial variables. Perhaps many authors struggle with the complexity of the concept, and there is some evidence that this is the case. Paxton (1999) identified the complexity of social capital framework in terms of micro (individual), meso (group), and macro (societal) scales with the interaction of negative externalities in the form of exclusion and negative ends such as crime. Fukuyama (2001) posited that many of the characteristics of social capital are epiphenomenal, arising as a result of social capital but not constituting social capital itself. Edwards and Foley (1998) added to the complexity identifying that norms and values held by individuals become social capital only insofar as they facilitate action by others and in this respect, they are context specific; outside that situation they may be of little or no value. Another important factor is the distinction between two mechanisms through which actors pursue social capital, reciprocity transactions and enforceable trust, which are sustained by different norms and patterns of social ties among actors (Frank and Yasumoto 1998; Portes and Sensenbrenner 1993). Not only is it context specific and operates under different mechanisms, but each element bears different functional relationships to the causal factors (Johnston and Soroka 2001).
Attempting to conceptualize the concept, Grootaert and Van Bastelaer (2002) building on the work of Uphoff (2000) identify two important dimensions of social capital: level from micro to macro; and the continuum from cognitive to structural social capital.

**Figure - 2.1. Conceptualization of social capital**

Figure 2 illustrates an existing conceptualization of social capital developed by Bain and Hicks (1998). The authors roughly divide social capital into two levels: the macro and the micro. The macro level refers to the institutional context in which organizations operate while the micro level refers to the potential contribution that horizontal organizations and social networks make to development (Bain and Hicks 1998).
2.5. Dimensions of Social Capital

As it has been stated time and again, that social capital theory is criticised for being poorly defined, lack of universal quantitative measurement and poorly conceptualized. These problems largely stems from the fact that social capital is multi-dimensional with each dimension contributing to the meaning of social capital although each alone is not able to capture fully the concept in its entirety (Hean et al. 2003). Narayan and Cassidy (2001) identified a range of dimensions illustrated in figure 2.3 as:
2.6. The Importance of Social Capital

The importance of social capital theory is observed from the empirical studies that have emerged. Adam and Roncevic (2003) stated that 'despite problems with its definition as well as its operationalization, and despite its (almost) metaphorical character, social capital has facilitated a series of very important empirical investigations and theoretical debates which have stimulated...
reconsideration of the significance of human relations, of networks, of organizational forms for the quality of life and of developmental performance'.

The widespread interest in and application of the concept could suggest the theoretical importance of social capital theory. Existing studies have provided ample evidence of its pervasiveness and offered useful impressions of its political, economic and social influence (Fine 2001; Jack and Jordan 1999; Montgomery 2000). Aldridge, Halpern et al (2002) cautioned that some of the empirical evidence on the importance of social capital for economic and social outcomes needs to be treated with caution because of the mis-specification or ambiguity of equations or models used to estimate its impact. Without a rigorous method for measurement, it is unclear how the benefits are ascertained and tested.

Several scholars explained about the importance of social capital at different levels. Requena (2003) suggested that the importance of social capital lies in that it brings together several important sociological concepts such as social support, integration and social cohesion. This view was supported by Rothstein (2003) who stated that the real strength of social capital theory is the combination of macro-sociological historical structures with micro-level causal mechanisms. It is important to the efficient functioning of modern economies, and stable liberal democracy (Fukuyama 2001; Kenworthy 1997). Lyon (2000) described the importance of social capital in shaping regional development patterns. It is clear that social capital is of importance in societal wellbeing. According to Bankston and Zhou (2002) some aspects of the concept, such as inter-personal trust, are clearly desirable in themselves while other aspects are more instrumental. According to Narayan and Cassidy (2001) Optimism, satisfaction with life, perceptions of government institutions and political involvement all stem from the fundamental dimensions of social capital.

The facilitative role of social capital in the growth of gross domestic product (GDP); more efficient functioning of labor markets; lower levels of crime; and improvements in the effectiveness of institutions of government were explained by scholars (Aldridge et al. 2002; Halpern 2001; Kawachi et al. 1999b; and Putnam et al. 1993). Social capital is an important variable in educational attainment (Aldridge et al. 2002; Israel et al. 2001), public health (Coulthard et al. 2001; Subramanian et al. 2003), community governance, and economic problems (Bowles and Gintis 2002),
and is also an important element in production (Day 2002). Economic and business performance at both the national and sub-national level is also affected by social capital (Aldridge et al. 2002). Others have emphasized the importance of social capital for problem solving and how only certain types of social capital contribute to this (Boyte, 1995; Sirianni & Friedland, 1997).

### 2.7. Building Social Capital

There are several opinions about building social capital, as measuring social capital itself is complicated and also without measurement, change cannot be determined. According to Putnam (1993), social capital is largely determined by historical factors; it can thus not be enhanced in the short term. This view was challenged in the literature. Petersen (2002) Schmid (2000) and Uslaner and Dekker (2001) challenged this opinion as they saw social capital development as a by-product of other activities. Falk and Harrison (1998) refers to creation of social capital as capacity building. Social capital can be produced by the government, nongovernmental organizations, local societal actors and external actors in the civil society, both in combination and in isolation (Cernea 1993; Huntoon 2001; Mondal 2000). Some researchers have stressed the need for analytical frameworks to account for widely varying outcomes of social capital in terms of time, space and social groups (Fox 1996; Lorensen 2002; Minkoff 1997). According to Soubeyran and Weber (2002) social capital can be created through repeated exchange and face-to-face contacts, which is facilitated by geographic proximity. The role of willing engagement of citizens within a participative community in the development of social capital was stressed by Onyx and Bullen (2000a). According to them, the Social capital building exercises initiated by the state have been identified as weak due to distant ties, therefore social capital building must occur through outsourcing by government (Onyx and Bullen 2001; Taylor 2000; Warner 1999). The theory that the best way for government to increase social capital is to be involved in indirect social capital building is evolved by Lowndes and Wilson’s (2001). Warner (2001) opines that local government is better placed to create local social capital through community based interventions. The use of social capital in any of its forms does not deplete the supply of social capital (Lyons 2000; Turner 1999). Some authors suggest that use of social capital in fact enhances the supply of social capital. From this debate it is clear
that some authors conceptualize social capital as either a flow or stock resource (Walker and Kogut 1997; Wilson 1997; Woolcock 2002). There is limited understanding of the processes and how they operate to build or improve social capital structure. About the use of social capital and its exhaustibility, researches are of the opinion that the use of it does not deplete and on the other hand it enhances the supply of social capital. (Lyons 2000; Turner 1999, Walker and Kogut 1997, Wilson 1997).

2.8. The concrete advantages of social capital

Robert Putnam's assessment of the benefits of what he defines as social capital remains an important reference point. He was able to demonstrate that:

- Child development is powerfully shaped by social capital. Trust, networks, and norms of reciprocity within a child’s family, school, peer group, and larger community have far reaching effects on their opportunities and choices, educational achievement, and hence on their behaviour and development (ibid.: 296-306).

- In high social-capital areas public spaces are cleaner, people are friendlier, and the streets are safer. Traditional neighbourhood “risk factors” such as high poverty and residential mobility are not as significant as most people assume. Places have higher crime rates in large part because people don’t participate in community organizations, don’t supervise younger people, and aren’t linked through networks of friends (ibid.: 307-318). As Sampson and his associates have also shown those communities with ‘collective efficacy’ the confidence to intervene born of higher rates of social capital are characterized by lower crime rates.

- A growing body of research suggests that where trust and social networks flourish, individuals, firms, neighborhoods, and even nations prosper economically. Social capital can help to mitigate the insidious effects of socioeconomic disadvantage (ibid.: 319-325). The growing presence of nonprofit organizations in some areas as one aspect of this (see Sampson et. al. 2005). Another is the quality of the networks in the 'underground economy of the urban poor' (Venkatesh 2006).
There appears to be a strong relationship between the possession of social capital and better health. ‘As a rough rule of thumb, if you belong to no groups but decide to join one, you cut your risk of dying over the next year in half. If you smoke and belong to no groups, it’s a toss-up statistically whether you should stop smoking or start joining’ (ibid.: 331). Regular club attendance, volunteering, entertaining, or church attendance is the happiness equivalent of getting a college degree or more than doubling your income. Civic connections rival marriage and affluence as predictors of life happiness (ibid.: 333). Many of these findings have been underlined by subsequent explosion in studies around happiness and well-being.

The World Bank (1999) has also brought together a range of statistics to make the case for the social and economic benefits of social capital. For example they argue that there is evidence that schools are more effective when parents and local citizens are actively involved. 'Teachers are more committed, students achieve higher test scores, and better use is made of school facilities in those communities where parents and citizens take an active interest in children’s educational well-being'.

2.9. Downsides of Social Capital

Scholars working on social capital have written about potential negative externalities that can be caused by the same characteristics of social capital that enable productive benefits. Potential demerits or downsides of social capital include: fostering behavior that worsens rather than improves economic performance; acting as a barrier to social inclusion and social mobility; dividing rather than uniting communities or societies; facilitating rather than reducing crime, education underachievement and health-damaging behavior. (Aldridge et al. 2002), (Carroll and Stanfield 2003; Fine 1999; Torpe 2003). According to Erickson (2002) there is a paradox: 'every feature of social structure can be social capital in the sense that it produces desired outcomes, but also can be a liability in the sense that it produces unwanted results'. The kinds of groupings and associations which can generate social capital always also carry the potential to exclude others (Hunter 2000; Morrow 1999; Szreter 2000). Social capital can become a constraint to individuals' actions and choices Wall et al. (1998) explained how there is a particularly high risk of negative
social capital in urban poverty situations (Small 2002). The World Bank (1999) has brought a statistics that indicate some negative impacts of social capital, for example, when disgruntled local elites joined together to close health clinics in Uttar Pradesh. Child mortality rates soared as a result. The negative of social capital was first documented by Portes (1996) but now is synonymous with our understanding of social capital theory. A stock of social capital is simultaneously productive and perverse.

2.10. The Summary of Social Capital Literature

Recent literature on social capital can be classified into the following groups

1. Literature dealing with the definitional issues of social capital
2. Literature dealing with the measurement issues of social capital
3. Literature dealing with the effect of social capital on development.

While some of the contributions are theoretical, some are empirical. The empirical research suffers from different problems because of its ambiguity and versatility.

The following observations are made based on the literature review.

- There is neither a commonly accepted definition, nor a universal measurement method of social capital.
- The empirical studies do not unanimously agree on the positive relationship between social capital and development, because of network constraints or inclusive social capital, even when a positive correlation is proved, doubts remain on the form and direction of the causal nexus linking social capital to its supposed outcomes because of Structural Hole in the members of associations.
- The role of family ties is generally neglected by empirical investigations on the role of social capital in economic development, as until now quantitative economic studies have not accounted for the effects of family social capital on growth and development. In one of the studies on Southern Italy, the underdevelopment of Southern Italy was attributed to the "amoral families" (Banfield, 1958)
The idea that social capital is a multidimensional concept is commonly accepted in the development debate. This allows each author to focus on a particular aspect of the concept, according to the aims and scope of his own study. Empirical works every time address different dimensions, therefore adopting particular measures, derived from diverse data sources. This makes any general assessment difficult, due to incomparability in sampling designs and question wording (Wuthnow, 1997, Paxton, 1999).

Most empirical studies measure social capital through “indirect” indicators, not representing the social capital’s key components already identified by the theoretical literature (commonly social networks, trust and social norms). Such indicators are very popular in the economics research, but their use has led to considerable confusion about what social capital is and what is the relationship between social capital and its outcomes. Research reliant upon an outcome of social capital as an indicator of it will necessarily find social capital to be related to that outcome. Social capital becomes tautologically present whenever an outcome is observed (Portes, 1998, Durlauf, 1999).

In measuring social capital, majority of the studies attribute the presence of voluntary organization as a proxy for social capital. The claim is that in areas with stronger, dense, horizontal, and more cross-cutting networks, there is a spillover from membership in organizations to the cooperative values and norms that citizens develop. In areas where networks with such characteristics do not develop, there are fewer opportunities to learn civic virtues and democratic attitudes, resulting in a lack of trust. However, it is wrong to measure the social capital based on the density of voluntary organization because people may join the networks voluntarily and may interact with other based on their attitudinal and behavioral characteristics. The other reason is that the group experiences may be different when people are from different backgrounds. Until now the literature has not provided a micro theory explaining trust’s transmission mechanism from groups to the entire society, and the logic underlying the connection between social ties and generalized trust has never been clearly developed (Rosenblum, 1998, Uslaner, 2002).