

## Understanding Social Capital

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### Abstract

*Although the term 'social capital' comes from western lexicon, but it has been used in several forms in India. It has enjoyed an impressive upsurge across the social sciences, development studies and policy-making discourses. This paper provides a brief introduction to the origin of the term with Indian and western connotations along with recent theoretical backup and links between social cohesion, quality of governance, economic performance and human welfare. Despite some limitations of social capital, the literature indicates that it makes an unquestionable input to economic development and overall wellbeing. The advent of social capital theory grounded serious sound academic research in social sciences and established the link between social economics and mainstream economics. This paper argues that social capital cannot be separated from social and political contexts for meaningful economic activities.*

Key words: Social capital, Social cohesion, Governance, Human Welfare, India.

### I. Introduction

Social capital as a concept has become one of the most popular exports from sociological theory to every stream of social sciences. In recent years it is often seen as the glue that holds democratic societies together. Various international organizations, government and non-government agencies advocate the role of social capital via knowledge transfer and mutual cooperation in achieving social and economic development. This social and economic development ranges from enhancing employment, education and skill development through formal and informal support. Both theory and empirical researches suggest that social capital may be considered as an indicator of the effectiveness of a society through collective and mutual determinations and cooperative actions. Social capital is not only about the deep feelings, but covers varieties of paybacks through cooperation, information, reciprocity and trust associated with people living in a society. Social capital makes visible the productivity of the social sphere, that is, it contributes to recognition that the social sphere both influences and is influenced by the distribution and character of other forms of capital (Healy & Hampshire, 2002). Despite the increasing importance of social capital, its complex and ambiguous concept, and use in various disciplines with varying meanings poses several challenges towards its understanding. Therefore, this paper addresses the conceptualization of social capital with the help of previous literature.

### II. Developments in the Conceptualization of Social Capital

Emphasizing the need of mutual networking, John Stuart Mill (1806-1873) precisely said, "It is hardly possible to overrate the value... of placing human beings in contact with persons dissimilar to themselves, and with modes of thought and action unlike those with which they are familiar...Such communication has always been, and is peculiarly in the present age, one of the primary sources of progress" (1848, p. 581). This statement reflects the need to capitalise the collective efforts of human into such resources which contribute social and economic welfare of the world. Perhaps Mill was the first known and recognized scholar who triggered the concept of

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social capital, although the term was first used by L. J. Hanifan, a State Supervisor for Rural Schools in Virginia (US) in 1916. He used it in the context of the community's involvement in the successful running of schools and it has become widespread since the 1980s (Farr, 2004; Wallis & Killerby, 2004).

The essence of social capital has been used by civilisations across the world but the term came from western lexicon in the 20th century. India too has a long history in using this concept in various forms across the different times. The tradition of voluntary actions, generosity, professional bodies and cooperative system has a long history in India. *Rigveda* refers to some elements of cooperative social entrepreneurship which reflect in the form of duty and accountability of a conscious human being. Maurya and Gupta periods (4th century BC to 5th century AD), and even later also patronise the concept of social capital across the country for social cohesion, good administration and human welfare through village community and *sabha* etc. After the decline of conventional institutions of ancient and medieval periods, independence struggle marked the revitalisation of interest in these institutions under the strong influence of Gandhian principles with advocacy of voluntary action and self-government. 'A government builds its prestige upon the apparently voluntary association of the governed' said by Mahatma Gandhi (Duncan 2005, p. 112) reflects the idea and importance of Gandhian principles in public administration and established the modern concept of social capital in India.

The concept of Social Capital in social science literature was marked by two ground-breaking works of Bourdieu (1986) and Coleman (1988), establishing a milestone in developmental discourse. It rapidly assumed economic implication and came to be accepted as a factor of production in development theory. However, the work of Putnam (1995, 2000) promoted this concept for policy makers. He was acknowledged in the 1990s to be the single most cited author across the social sciences (Fine, 2007). He has figured it centrally in contemporary debate (Farr, 2004). Later on applications of social capital are well recognized throughout the social sciences in economic performance, health and well-being, crime, education and governance (Halpern, 2005). Subsequently, social capital emerged as an important component of livelihood which was promoted by Frank Ellis in 2000's (Scoones, 2009). There are various explanations for healthy recognition of social capital as it refers to those institutions, relationships and norms that shape the quality and quantity of a society's interaction. Moreover, it involves trust, mutual understanding, shared values and behaviour that bind together the members of a community and make potential cooperative action. In both formal and informal interactions, social links and the norms and values associated with them play an important role. Fundamentally, such characteristics of social capital enable people to build communities to commit themselves to one another, and to weave the social fabric. Concrete experience of social networking and amazing sense of belonging (and the relationships of trust and tolerance that evolve) can bring great benefits to people.

### III. Explanations from Definitions

With the above discussion, it would be necessary to understand the definitions given by various scholars. They are many as the concept itself comprises multidimensional aspects covering different subjects with different meanings. However, some definitions are rendered here which reflect some basic insights towards understanding the concept of social capital.

“Social capital cannot be acquired by individuals acting alone; it is created and transmitted through cultural mechanisms like tradition, religion, or historical habit, which created shared ethical values and a common purpose” (Fukuyama 1995, p. 26-27)

“Social capital is a self-organizing system with many actors connected in an amorphous web or network.” (Wilson 1997, p. 747-748)

“Social capital stands for the ability of actors to secure benefits by virtue of membership in social networks or other social structures.” (Portes 1998, p.6)

“Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together.” (World Bank 1999, p. 44)

“Social capital refers to the norms and networks that enable people to act collectively.” (Woolcock & Narayan 2000, p. 226)

“Whereas physical capital refers to physical objects and human capital refers to the properties of individuals, social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them. In that sense social capital is closely related to what some have called ‘civic virtue’. The difference is that ‘social capital’ calls attention to the fact that civic virtue is most powerful when embedded in a sense network of reciprocal social relations. A society of many virtuous but isolated individuals is not necessarily rich in social capital.” (Putnam 2000, p. 19)

“Social capital is defined as social, non-formalized networks that are created, maintained and used by the networks’ nodes/actors in order to distribute norms, values, preferences and other attributes and characteristics, but which also emerge as a result of actors sharing some of these attributes.” (Westlund 2006, p. 8)

“Social capital can be envisaged as a revolving mutual fund of traded and un-traded interdependencies.” (Anderson et al. 2007, p. 265)

“Social capital consists of social relations among agents combined with social institutions that allow for co-operation and communication.” (Lorenzen 2007, p. 801)

Abundant reflections emerge from above definitions. Although different experts have defined social capital in different ways, most commonly it can be called as the outcome of social relations. Thus, the first and most general reflection of social capital is that ‘relations matter’. Social ties form social capital. It is not about what you have, it is about whom you have. Social capital provides the platform of culture of interaction among people with productive economic outcomes. Social capital promotes regional learning both within a region and beyond as it reinforces openness to the ideas of others (Malecki, 2012). But this one is not only insight from this concept as it is unfair to social economist especially. However, social relation is very fundamental to social economics. But it is clear that social capital explicitly represents the overlay within the social and economic spheres of human life. Second, the nature and magnitude of social capital is not the same when it is barely present and when it is found in abundance. Third, social capital can act as resources if it focuses on the group rather than an individual. But the biggest problem with this understanding is on which scale or level of analysis we should focus. For instance, in some cases a group of people can do a work and a community cannot do the same level of work and vice versa. Fourth, social capital is ‘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’ (Nahapiet & Ghoshal, 1998, p. 243). As a metaphor, social capital is described as both a ‘glue’ and a ‘lubricant’. As glue, it ‘facilitates transactions, cooperation and learning in an uncertain world’ (World Bank, 1999; Cappellin, 2004, p. 214; Fountain, 2001). It keeps cooperation together but also hinders social change (Paldam, 2000). ‘Lubricant’ is an alternative metaphor implying that social capital helps to facilitate or lubricate exchanges within a group (Healy & Hampshire, 2002). Thus, Social capital acts as an instrument of risk reduction and ultimately trust and associational behaviours are the instruments of social capital.

#### IV. Types and forms of social capital

Diverse definitions and explanations of social capital has triggered the construction of typologies to demarcate the distinct features of social capital. Interestingly, it also evolves in a similar fashion like concept of social capital. Putnam (2000) suggests two types of social capital, i.e., ‘bonding social capital’ and ‘bridging social capital’. This classification marks the first attempt towards the typology of social capital. He coined the term ‘bonding social capital’ for forming

those social ties in which people are associated with similar socio-economic position like association with immediate family members, friends and neighbours. Contrary to this, bridging social capital implies those social ties in which people are associated with different socio-economic positions like ties with more distant colleagues and associates. These two concepts are considered to illustrate specific types of social capital as Putnam puts it. Some forms of social capital are by choice or necessity inward looking and tend to reinforce exclusive identities and homogeneous groups. Other networks are outward looking and encompass people across diverse social cleavages (Putnam, 2000). Contrary to this, Grootaert and Van Bastelaer (2002) provide distinct types of social capital: structural and cognitive. Structural social capital is seen in the social networks of actors and enables sharing information, cooperative action, and decision-making through customary roles and social networks supplemented by precedents, rules and procedures. It is relatively objective and outwardly visible. Whereas, cognitive social capital refers to shared norms, values, attitudes, beliefs and trust. Like its components, it is relatively subjective and intangible. Another landmark work done by Woolcock (2004) who gave the most widely acceptable typology of social capital. He accounts for three types of relational assets that people have access to in varying degrees: (a) Bonding social capital is immediate family, friends, and neighbours; (b) Bridging social capital is more distant colleagues and associates; and, (c) Linking social capital is connections to people in positions of authority.

## V. Dark Side of Social Capital

It would be unjust if we do not highlight the dark side of social capital which produces negative outcomes and is also termed as negative social capital. Problems related to the concept of social capital can be both qualitative and quantitative. Quantitative issues relate to empirical issues in which social capital is difficult to operationalise whereas qualitative limitations comprise issues related to conceptual clarity. The most generalised limitation noticed by most of the scholars is related to exclusionary nature of social capital. The undesirable effects of social capital could be social exclusion as "many groups achieve internal cohesion at the expense of outsiders, who can be treated with suspicion, hostility or outright hatred" (Westlund, 2006). In case of too much bonding social capital, it becomes negative, creating conformity rather than variety as pointed by Fafchamps (2006). The benefits from social capital are likely to be unequally distributed and even exclusionary. It is also argued that in some cases highly inclusive social networks grab the freedom of individuals as it could be a constraint to an individual's actions and choices (Wall et al., 1998). Fine (2007) marked the limitation of social capital in very bitter but true sense. He contended that "although social capital is capable of addressing almost anything designated as social, it has tended to neglect the state, class, power, and conflict (Fine 2007, p.556)". Another dark side of social capital is that it has potential of corruption, perhaps for profit rather than support of individuals and communities as they network. For instance, any organization, association or specific community, which is government supportive is more likely to receive funds and benefits that non-supportive associations do not receive. This unbiased treatment is due to the presence of strong ties between government and organizations. Woolcock and Narayan (2000) describe social capital as a "double-edged sword". On the one hand, social capital can represent a valuable asset for economic and wellbeing improvement. On the other hand, exclusive strong ties and strict sense of obligations might be at a certain point a cost without related benefits for the community. There is a need for immediate call to address these limitations for a stronger concept of social capital. Progressive academics and activists should care about social capital.

## VI. Conclusion

Here we try to provide a road map of some of the theories and applications regarding social capital. This concept has attracted the attention of scholars of different social science disciplines. It has emerged as an influential research theme in a number of disciplines in the past twenty years as measured by the exponential growth in social capital literature throughout the 1990s and the early 2000s. Many developed and developing countries apply the concept of social capital in policy making and governance. For instance, Article 19 of the Constitution of India

explicitly allows the freedom of assembly and association to Indian citizens as well as foreigners. Moreover, Directive Principles of State Policy reflect on social capital for larger public interest. The key institutions that can be said to contribute to the development of social capital range from grass roots level community based initiatives like Residents Welfare Associations and Self-Help Groups, Waqfs and Endowments, and cooperatives of various types to voluntary organisations, charitable societies and trusts as well as self-regulating professional bodies such as the Medical Council of India, Bar Council of India, etc. (Administrative Reform Commission, 2008).

We discussed some of the dark side of social capital. We believe that experts, researchers, policy makers and academicians can stimulate and enrich the debate in theoretical and applied framework. These limitations should not discourage further study of social capital which allows dynamic spiral of development for any region (Lorenzen, 2007). The web of social or network relations and the wider social context together shape the way in which collective learning and innovation takes place (Rutten & Boekema, 2007; Westlund, 2006). Networks, norms, trust, reputation and goodwill are central processes in a global economy in which competition is largely based on knowledge. Literature recognises social capital as important to the efficient functioning of modern economies and stable liberal democracy (Fukuyama 2001; Kenworthy, 1997) as an important base for cooperation across sector and power differences, and an important product of such cooperation (Brown & Ashman, 1996). Rich stocks of social capital have amazing potential for people in a society to become healthier, wealthier and happier. Despite some problems with its definition, some limitation with its execution as well as operationalization, and despite its (almost) metaphorical character, social capital has facilitated a series of important empirical investigations and theoretical debates which have triggered re-examination of the significance of human relations, networks, organizational forms for the quality of life and developmental performance.

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