

Significance of Building Social Capital: A Theoretical Analysis

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Abstract: Social capital is defined as a collective asset in the form of shared norms, trust, networks, social relations, and institution that facilitate cooperation and collective action for mutual benefits. The social capital theory advocated by Robert Putnam and others revealed that, network of civic engagement, like the neighbourhood associations, choral societies, co-operative sports clubs, and mass-based parties represent horizontal interaction and these network of civic engagement are an essential form of social capital, which foster robust norms of reciprocity, social trust and cooperation. Social capital is an instantiated informal norm that promotes co-operation between individuals. In the economic sphere it reduces transaction costs and in the political sphere it promotes the kind of associational life which is necessary for the success of limited government and modern democracy. An abundant stock of social capital produces a dense civil society, which in turn has been almost universally seen as a necessary condition for modern liberal democracy. Joining and participating in such voluntary organizations is essential for constructing social capital and training individuals with the skills and values of citizenship helps to make the rulers accountable to the common people and contribute their well-being. The paper is an attempt to highlight the significance of building social capital in the present day democratic society.

Keywords: Social Capital, Democracy and Development

Social capital means the set of norms, institutions and organizations that promote trust and cooperation among persons in communities and also in wider society. In those formulations of the social capital paradigm which focus on its collective manifestations, it is claimed that stable relationships based on trust and cooperation can reduce transaction costs, produce public goods and facilitate the constitution of social actors and even of sound civil societies [1]. Social capital is an eminently sociological concept that used in various branches of sociology and, by extension, in all social sciences. It generally refers to relations between people, so-called social networks, rules of reciprocity and generalized trust among people [2]. There are various schools of thought regarding the definition of social capital. One of the prominent schools is influenced by the seminal work of Robert Putnam who undertook empirical research in both Italy and the US on the relationships between social relations and civic engagement, and political and economic outcomes [3]. This school of thought argued that, network of civic engagement, like the neighbourhood associations, choral societies, co-operative sports clubs, and mass-based parties represent horizontal interaction and these network of civic engagement are an essential form of social capital, which foster robust norms of reciprocity, social trust and cooperation [4]. Putnam (1993) describes, "Social capital refers to features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit" [5].

The other school draws on the work of Bourdieu [6], who defined social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition". This definition focuses on the resources that accrue to individuals as a result of their membership of social networks. Bourdieu argues that conflict is a fundamental dynamic of all social life and that this conflict occurs over symbolic resources such as social capital, as well as material resources. He suggests that social capital is inextricably linked to economic capital but cannot be reduced simply to an economic form. It is the concealment of this relation that enables social capital to be effective [7]. Coleman (1990) analysed social capital on the basis of its function. It is not a single entity, but a combination of different entities having two characteristics in common: it is an aspect of a social structure, and it facilitates certain actions of individuals who are within that structure. The entities include obligations, expectations, trust, and information flows. It is a productive resource that facilitates production and make possible to achieve certain ends that would be impossible in its absence. Social capital inheres in the structure of relations between and among actors. It facilitates the actions of individual actors and forms the basis of social capital. Efforts to take membership in a group can be seen as rational investments in social capital [8]. Coleman identifies three forms of social capital: reciprocity (including trust), information channels and flow of information, and norms enforced by sanction. Actors (individuals or organisations) can use these resources to achieve their ends. Unlike other forms of capital, it is not completely fungible across individuals or activities. Social capital is inherently social, most forms of capital developed through combined actions of group members. For Coleman, social capital is a public good as it exists in the relations among people.

A significant contribution to social capital theory was made by Francis Fukuyama. He defines social capital in terms of trust as: "... the ability of the people to work together for common purposes in groups and organisations" [9]. He argued that social capital is an instantiated informal norm that promotes co-operation between individuals. In the economic sphere it reduces transaction costs and in the political sphere it promotes the kind of associational life which is necessary for the success of limited government and modern democracy [10]. Gelliner [11] argued that an abundant stock of social capital produces a dense civil society, which in turn has been almost universally seen as a necessary condition for modern liberal democracy. The civil society encompasses many sorts of actors

like academic institutions, business forums, clan and kinship circles, consumer advocates, development cooperation initiatives, environmental movements, ethnic lobbies, foundations, human rights promoters, labour unions, local community groups, relief organisations, peace movements, professional bodies, religious institutions, think tanks, women's networks, youth associations and more. In particular, this conception of civil society stretches much wider than formally organised, officially registered and professionally administered 'NGOs'. Civil society exists whenever and wherever voluntary associations – of whatever kind – try deliberately to mould the governing rules of society [12].

The stronger our social ties, the more likely we will be able to find common ground to respect one another, and have sufficient trust to address the challenges that transcend our differences[13]. There is an argument that a vibrant civil society and dense social capital has been considered as an efficient means for improving the quality of democracy. Hans Blomkvist (2001) offered an easy understanding of the concept social capital. He puts:

Social Capital refers to trust, networks and norms shared by a group of actors that enable them to act together more effectively to pursue shared objectives. It is a resource -a capital - that consists of the relations you have with other people. It is 'social' since one cannot have it in isolation, contrary to human capital. The term social does not imply socially or politically praiseworthy actions or goals; a party like Shiv Sena also has social capital. A simple example may illustrate the idea. We can think about a group of underprivileged people - agricultural labourers, pavement dwellers or dalits. If this group of people live in the same place but do not trust each other, do not know each other and do not have shared norms, it is much less likely to act together against a landlord, a threat of eviction or against oppressive behaviour by upper castes. On the other hand, if the members of such a group trust each other and share norms in other words, if they have social capital - they can utilise this capital to act collectively. This social capital can be used for political action but it can also be used for mundane but important things such as helping your neighbour, keeping a watchful eye on others' children, or getting important information. But social capital is not synonymous with formal associations. The point is worth underlining since Putnam's and some others' use of associational membership as a proxy or indicator of social capital has been mistakenly read by some as the same as social capital; it is also important in an Indian context where comparatively few citizens are members of a formal association [14].

Social capital can affect democracy in two ways. Firstly, strong associations reduce the ability of the state to directly oppress citizens and provide a space for growth in organized opposition to a nondemocratic regime. Secondly, these associations teach tolerance, promote compromise, stimulate political participation, and train leaders-all of which contribute to a healthy democracy. Social capital can aid in a transition to democracy by disseminating critical discourse, formed public opinion and formed social movements against current regime [15]. Paxton further (2002) puts:

Theorist have long argued that when a country has a vigorous associational life it is better able to create and maintain a democracy. When citizens interact often, join groups, and trust each other, their relationships aid democratization by crystallizing and organizing opposition to a nondemocratic regime. Once a democracy is established, these relationships expand citizen access to information and political ideas, which increases governmental accountability. Furthermore, voluntary associations provide a training ground for new political leaders, help members practice compromise and learn tolerance, and stimulate individual participation in politics [16].

People's participation is the central theme in any discussion on democracy. The idea that participation is a means for efficiency gained wide currency with Robert Putnam trying to analyse the conditions which are essential for structuring a strong, responsive and effective representative institutional framework. According to this scheme of things, there are essentially two preconditions for establishing good government – people's involvement in public affairs, and a civic culture in which the participants are related through horizontal relations of reciprocity, and trust, in the place of vertical relations of authority and dependency. 'Citizens in a civic community, on most accounts, more than merely active, public spirited, and equal are helpful, respectful, and trustful towards one another, even when they differ on matters of substance, thus contributing to the effectiveness and stability of democratic government, internally instilling in the members habits of cooperation, solidarity, and public- spiritedness and externally enhancing interest articulation and aggregation' [17]. Neera Chandhoke (2012) points out:

Social associations are of value for many reasons; because they encourage citizens to participate in the making of a critical political and public discourses enable collective action that seeks to engage with the state. Participation contributes to the making of not only informed public opinion, but also informed and democratically aware citizens who are conscious of their right to participate in the political process. More significantly, participative associations have the potential of limiting the power of elected representatives and holding them accountable [18].

The second pre-condition considers participation as voice/ equity/ empowerment which articulates a preference for deepening of the democratisation process through inclusion and recognition of hitherto marginalised groups in society [19]. Thus participatory institutions have the potential to deepen the quality of democracy, through the actions of government officials and citizen participants, by extending rights and benefits to individuals who were previously denied access [20]. According to Smith this makes a creative contribution to awareness creation among people and the emergence of grassroots level political leadership. He says:

Participation in such institutions is supposed to enhance civic consciousness and political maturity. People learn more quickly when they have to take responsibility for the decisions of local officials . . . Through experience in local government, people learn to choose between priorities and leaders. They gain experience in holding those in office accountable . . . Such an education should ultimately enrich government at the centre as better trained politicians emerge from the grassroots [21]

There are two interpretations regarding how the social capital affects governmental performance. Thus the first one provides a linkage between social capital and policy activism, while the latter is concerned with bureaucratic efficiency [22]. Putnam argued that the social capital increases the political sophistication of the citizenry and helps to overcome the collective action problem

within a community. These, in turn, facilitate the articulation of citizens' demands and enable monitoring to assure that the implemented policies were in accordance to these demands. Putnam defines government performance in a representative system as government "responsiveness to its constituents and efficiency in conducting the public's business" [23]. Putnam defines and measures the policy aspect of government performance in terms of policy activism-the extent of government allocation of resources for various types of public goods and services (such as day care centres, agricultural and industrial development, public housing, family clinics, etc.) [24].

The second interpretation by Boix and Posner[25] states that social capital influences the level of government performance via its effects on the behaviour of bureaucratic elites. That is, assuming that the level of social capital is shared by the community and its elites, it fosters the ability of government bureaucrats to cooperate effectively. It further prevents shirking in the principal-agent relationship within bureaucracy, which is necessary for efficient management. Administrative efficiency is defined and measured as the extent to which a government possesses the means to conduct its internal operations efficiently and promptly (such as effective budget cycle and information services [26].

There is an argument that social capital is best conceptualised as an input into the process by which institutions for development are created. It ensures qualitative changes in procedures governing the development process to ensure its embeddedness and linkage with development at higher levels. Social capital is the networking that helps create linkages which in turn forge rules, conventions and norms governing the development process [27]. Putnam (1993) examines social capital in terms of the degree of civic involvement as measured by voter turnout, newspaper readership, membership in societies and clubs and confidence in public institutions. He found that northern Italy where these indicators are higher showed higher levels of development than the southern parts. He associated higher levels of social capital with increased socioeconomic development, as well as with more efficient and responsive local government. In his more popular book entitled *Bowling Alone: The Collapse and Revival of American Community* (2000), Putnam explores the degeneration of social capital in America. According to Robert Putnam, social capital refers to connections among individuals, social networks, and the norms of reciprocity and trustworthiness that arise from them. His central argument was that the degeneration of civic activity and trust resulted in the decline of mutual togetherness and social inter-course. For him, civic activity and trust go hand in hand. According to Putnam, the decline resulted in the increase in family violence, alienation caused by unemployment, the breaking down of communities, and the usage of drugs and other social evils [28].

Over the past decade, several alternative conceptions of social capital have emerged. Social capital has been explored in terms of its potential to reduce poverty and vulnerability among the poor and powerless in developing countries. This approach has been adopted by the World Bank - which has its own Social Capital Initiative - and by the Inter- American Development Bank (IADB), as well as by other multilateral development organizations. In addition, the governments of developing countries have incorporated components of this new definition of social capital into their own development programs [29]. While discussing the manner in which social capital contribute to create development outcome Holm (2004) further puts:

According to development researchers and practitioners, social capital creates economic, social, and political benefits by increasing participation; raising citizens' access to information, credit, and local officials; and providing a social safety net that allows individuals to take risks. Economic benefits seem to accrue on both the individual and societal levels with high levels of social capital having positive effects on national growth - one of the main goals of most development organizations.

There are several reasons for the positive effects that social capital exhibits on growth. First, social capital, in the form of trust, reduces transaction costs and increases accountability. By engaging in repeated interactions, individuals reduce the need for lawyers, written contracts, and other hurdles that stand in the way of efficiently conducting business. Second, trust in others, especially political leaders, creates greater political stability and faith in the future, which are both crucial to investment. A third reason for the economic payoff of social capital is that increased social capital serves to secure property rights. When an individual does not trust those around him, the incentive to innovate is reduced as the possibility of theft rises. On a more local level, social capital has been shown to increase the economic opportunities of the poor and to give the disenfranchised increased participation in government. Social capital is incredibly promising as a means of development because of its ability to reduce the vulnerability of the poor, to increase their participation in public decisions that affect their own lives, and to leverage societal ties for economic gain. Increasing social capital, improving health and education, and making governments more accountable and transparent will greatly benefit the lives of the poor in developing countries [30].

Social capital can aid in a transition to democracy by disseminating critical discourse, formed public opinion and formed social movements against an oppressive regime. Social capital in the form of trust, the association's etc. helps to increase accountability, teach tolerance, promote compromise, stimulate political participation, transparency, and train leaders-all of which contribute to a healthy democracy. And such a democracy is essential for ensuring freedom, both social and political, and distributing, as widely as possible, the fruits of development among the citizens.

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