

Social capital: A policy option to combat poverty in India

Kavitha AC, Dr. Muraleedharan S

Assistant Professor, Department of Economics, Government Victoria College, Palakkad, Kerala, India

Abstract

Social capital formation is an important strategy to reduce poverty. Social capital supplements other forms of capital such as physical, financial and human capital and plays a crucial role in poverty alleviation. Social capital manifested in various forms such as structural, cognitive and relational capital (structural dimension) as well as bonding, bridging and linking social capital (network dimension) could enhance the opportunities of the marginalized and excluded groups to have access to resources and socio-emotional goods. Extensive literatures have corroborated the role of social capital in combating poverty. Poverty eradication programmes in India and across the world (Self Help Groups, Kudumbasree, Grameen Bank, etc.) have relied on building social capital to facilitate the deprived groups to engage with the resource – rich networks enabling them to come out of deprivation and poverty.

Keywords: Social capital, bonding and bridging, social network

1. Introduction

Social capital formation is an important strategy to reduce poverty. Besides physical, financial and human capital, social capital is an important determinant of reducing poverty. Understanding the role of social capital, our policy makers adopted social capital approach to attack poverty. Social capital approach to poverty in India took the form of self help group (SHG) in which each member gets benefit from the relation with the other. In this back ground, this paper tries to look into conceptual and theoretical ground of social capital. This paper also gives explanation to the question of what leads to social capital approach to poverty. In addition to this, paper also throws light on the matter as to how poor get benefitted through social capital.

The paper is structured as follows: the first section presents the evolution of the concept of social capital, followed by the discussion of theories of social capital in the second segment. The third section describes types of social capital. These discussions set the background for appraising social capital approach to poverty as detailed in the fourth section.

2. Concept of social capital

The concept of social capital has got popularity from the 1990s. The concept of social capital is defined differently by different scholars. Though social capital is a sociological term, it is widely used in other social science subjects. Definition provided by different authors is presented in Table 1.

Table 1: Author wise evolution of the concept of social capital

Year	Researcher	Definition	Type
1988	James Coleman	Social capital as an asset embedded in relationships that facilitate instrumental action among people and the sharing of knowledge and resources from one person to another.	Bonding
1992	Pierre Bourdieu Wacquant	Social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition.	Bridging
1993	Putnam	social capital as those features of social organization such as trust, norms and networks that can improve efficiency of society by facilitating coordinated action	Bonding
2000	World Bank	social capital as the norms and network that enable collective action and shapes quality and quantity of society’s social interactions	Both bonding and bridging
2002	Francis Fukuyama	social capital as “an instantiated set of informal values or norms shared among members of a group that permits them to cooperate with each other	Bonding

Source: compiled from the literature

3. Theories of social capital

In the following section, a review on various theories of social capital is made. Underlying theories of social capital are explained in four different views:

1. Communitarian view
2. Network view
3. Institutional view
4. Synergy view

First perspective of social capital is communitarian view that considered social capital with local level organization like club, association and informal networks. (Woolcock and Narayan, 2000) [1]. This view measured social capital in terms of density of club, association and societies. The more is the density, the more good it provides and it focuses on positive side of social capital. It is regarded as inherently good for the development. This view has made contribution to poverty

analyses by stressing the role of social ties in removing it (Woolcock and Narayan, 2000). The communitarian view assumes communities are homogenous entities having horizontal social relation. Thus the argument against this view is that it produces negative outcomes for outsiders of the communities. As per this view, strong informal networks could not lift poor out of poverty.

Second perspective of social capital is the Network view that is mostly associated with Alejandro Portes. This view stresses both vertical and horizontal associations between people and relation within and with others in the societies. (Woolcock and Narayan, 2000).

Institutional view considers social capital as dependent variable while communitarian and network views consider social capital as independent variable. This view argues that community network is shaped by social and political environment.

Synergy view has emerged from the integration of network and institutional view. This view recognizes the virtue of social relation and also recognizes that the capacity of social groups to act in their collective interest depends crucially on the nature and extent of their engagement with formal institutions. (Woolcock and Narayan, 2000).

4. Types of social capital

In the background of the above discussion, there is a need to know the types of social capital to have an understanding of it. Social capital is broadly categorized on the basis of structural perspective and network perspective. From the structural perspective, social capital is of three types: Structural, cognitive and relational social capital Nahapiet and Ghoshal (1998) [2]. From the network perspective, it is categorized into Bonding, bridging and linking social capital.

The structural dimension concerns the properties of the social system and of the network of relations as a whole. This dimension describes properties of social network or connection through variables like network configuration, network density and connectivity. Rajennd *et al* (2015) [3]

Cognitive capital is embodied in the shared visions and collective goals of organizational partners and encapsulated by shared perceptions, expectations, and interpretations. This dimension encompasses shared meanings and shared interpretations between parties in a relationship (Rajennd *et al* 2015).

The relational dimension concerns the kind of personal relationships people have developed with each other through a history of interaction. This dimension encompasses the characteristics and qualities on individual relationships Rajennd *et al* (2015). It describes the behavioral component of social interaction between people in the network. (Macke and Dilly 2010) [4]

The network perspective emphasizes on bonding, bridging and linking social capital.

Bonding capital refers to bringing people together who already know each other with the goal of strengthening the relationships that already exist. This type of social capital is likely to occur among the people of similar status or in homogeneous group. This certainly results in strong ties among the people. For example, women groups or Ayalkoottam (Neighbourhood groups) formed under Kudumbasree work and build upon common purpose.

Cooperation and collective action among the members within a group represent bonding social capital.

Bridging capital brings together people or groups who did not previously know each other with the goal of establishing new social ties to provide new information, access additional social networks, and fill the "structural holes" in the system of networks in the community. e.g., interaction and associations of the groups with outsider in organizing and holding function of the society. Compared to bonding capital, bridging capital is likely to produce positive outcomes.

Linking capital refers to ties between people in communities and their local organizations. For example, the network system of women group with banks, local governing bodies and with other institutional structure in the society. This widens the social capital and enables individuals and community groups to leverage resources, ideas and information from formal institutions beyond the immediate community radius.

5. Role of Social Capital in Poverty Reduction-A Discussion on Some Experience in India

What leads to social capital approach to poverty certainly reflect the relation between social capital and poverty as explained by the sociological perspective to poverty. From the economic perspective, poverty is due to low income and unemployment. We can also see social root of poverty when viewed it as social issue. This is explained by the social structure and social relation in the society. According to social exclusion approach, poverty is due to exclusion of certain groups or individual from participation in the society in which they live. They were excluded in the name of caste, creed, colour, sex, disability, employment and culture (Hick, 2012) [5]. Life and standard of living of the socially excluded group will be far below compared to the well off group. Thus social exclusion approach highlighted social discrimination as cause of poverty.

To beat poverty, it is necessary to build social capital among poverty stricken group. In layman language, social capital means connection and relation with others for mutual benefits. Social network enables the poor to collectively pursue their needs and they would be able to participate meaningfully in the societal activities. Ensuring the participation and inclusion of the poor in the development process is essential to reduce poverty. De Haan (2000) [6] argued social cohesion as a precondition for poverty alleviation. Grameen bank model in Bangladesh was a great success as it has employed the approach of building social capital to ensure the micro credit provided to the poor bring qualitative change in the life of the poor. (Larance1998) [7]

Social capital approach to poverty in India resulted in the creation and promotion of SHG. This was given much thrust in anti-poverty programme Swarnajayanti Gram Swarozgar Yojana (SGSY) introduced in India in 1999. The group formation underlies the significance of social solidarity and social cohesion in changing the plight of the poor. SHGs enable poor women to create and exploit opportunities, to develop capabilities, provide information and resources and also provide space for them to interact with others in the society. It is commonly argued that each individual in a group get benefitted and derive strength from the group. They also get connected to local community, to formal institution like banks and also to political structures in the society. Thus SHG

model in India facilitates social capital formation among women to fight feminine poverty.

Several literatures demonstrated the presence of social capital in the SHG model implemented in India to reduce poverty.

Nayak(2015) ^[8] explored how SHGs help in the development of social capital and found that women participated in SHG were able to secure and enhance three forms of social capital such as bonding, bridging and linking social capital. Thamizoli & Prabhakar (2006) ^[9] confirm that working for common objectives in close association with others develops social capital, and that the social capital contributes to the improvement of people's livelihood. This study argues for policy interventions to support their networking as scaling-up is still necessary and should be more effective.

Kudumbashree programme in Kerala strongly supports to eliminate social exclusion in the society by organizing poor women collectively to Neighborhood group. Thus they could collectively work to improve their socio economic status in the society. This programme in Kerala shows how participation and social inclusion of marginalized women could contribute to poverty reduction and inclusive outcome. Kudumbasree programme in Kerala provides space for poor women to participate in the development of society by organizing them in to group which leads to collective action to pursue their needs. Mukherjee and Reed (2013) ^[10] presented how Kudumbasree involvement in Mahatma Gandhi National Rural Employment Guarantee (MGNREG) scheme and its initiatives like Sangha Krishi (Group Agriculture) form the basis for a local, social and solidarity economy. The study highlighted the achievement of Kudumbasree in building solidarity economy through its group lending mechanism, encouraging group enterprises and also by linking its three tier structure with the local bodies. This study also emphasized the need for strengthening solidarity with all actors to make its every initiative more effective

There is a link between poverty reduction and social capital. Poor remain poor because they face certain exclusion in the society. Three dimensions of exclusion include economic exclusion, political exclusion and social exclusion. Social exclusion prevents them from accessing resources to improve their livelihood. Kadun and Gadkar, (2014) ^[11] pointed out that social exclusion is a process which involves denial of rights and opportunities which the majority enjoys, resulting in the inability of individuals from excluded groups to participate in the basic political, economic and social functioning of the society, thereby causing high human poverty and deprivation among them. They lack human capital, money capital, physical capital and in this condition social capital helps them to remove their condition of deprivation by building social relation with others. It is necessary to build social capital among poor as poor have no opportunities in interacting with non poor in the society. Their connection and interaction is different from the non poor in the communities. There are some recent studies that explain how social capital reduces poverty in developing countries and what is the link between these two. A few are discussed below which helps to understand the importance of social capital approach in reducing poverty.

Morris (1998) ^[12] looked at the problems of analysing the economic payoffs to social capital, in particular, their impact on poverty reduction in developing countries. The paper also attempted to explain the reasons for differences among Indian

states in reducing poverty. This study pointed out that social capital affects the economic system in two principal ways: i) through increased social networks, probability of contact between agents increases and thus making transactions more easy and ii) through the enhanced quality of the relationships between agents, transactions between agents become more efficient and thus acts to reduce the transactions cost of exchanges. Thus social capital speeds the rate of reaction, making the system run faster and more smoothly. This paper tests the hypothesis that those states well endowed with social capital had greater success at reducing poverty. From the analysis, the study found out that those states which were initially well endowed with social capital were more successful in reducing poverty.

Robison (2002) ^[13] presented evidence that social capital has an important role in poverty reduction. This paper gives two reasons for emphasizing social capital in poverty reduction. The first reason for emphasizing social capital and poverty reduction is that social capital is an important resource if properly managed can be used to reduce poverty. The second one is that social capital is an important resource contributing to a country's socio-emotional health. When inadequate levels of social capital exist, the poor often suffer a lack of socio-emotional goods. When the poor have an opportunity to express themselves, they describe their lack of social capital from which socio-emotional goods are derived as one of their major deprivations. The paper also explained how poor could acquire social capital? For acquiring social capital, they must have access to media to communicate their condition and to express their needs. Another fact highlighted by the paper was that if social capital is built, the resources meant for the poor will directly flow to them without any diversion. This study believed that the conditions of the poor can be improved by improving their social capital and including them in resource-rich networks.

Johannes (2009) ^[14] investigated the impact of household level social capital on poverty. The number of memberships, solidarity (i.e. network support) and active participation in decision making were the key dimensions of social capital used. The study indicated a strong and positive correlation between social capital and household welfare: households with high social capital are less likely to be poor. The study also pointed that just being a member in a group is not enough, those who participate actively in the group would capture more gains. This paper also suggested the need to promote social capital as an ingredient to achieve the Millennium Development Goal of reducing poverty.

Cecchi *et al* (2011) ^[15] discussed the role of social capital as a policy tool against poverty and inequality and this paper explained three roles of social capital in removing poverty. Social capital improves the living standard of the poor. Social capital improves poor's capabilities. Social capital improves their life condition through collective action. This study also scrutinized three development programmes implemented in India to analyse the way in which social capital has been embodied in the strategies defined by international development agencies. They were a survey by the Asian Development Bank of the projects concerning the diffusion of microfinance in rural India; the United Nations Industrial Development Organization (UNIDO) action for the promotion of industrial clusters in India; and the International Crop Research Institute for the Semi – Arid Tropics (ICRISAT)

projects for the introduction of technological innovations in Indian agriculture. The study highlighted the need to increase social capital along with human capital and financial capital. The study also reported problems in using social capital in development strategies; one with respect to definition of qualities and quantities of social capital which has to be cleared to make other development actions effective. Second with the measurement problem, social capital has different characteristics in different context and so analysis of social capital requires adjustment in relation to local community.

6. Conclusion

Aforementioned literatures clearly reflected the role of social capital in reducing poverty. Most of the studies emphasized the need to integrate social capital along with other forms of capital such as physical and financial capital to acquire the desirable outcome, that is, to improve the wellbeing of the poor. Social capital manifested in various forms such as structural, cognitive and relational capital (structural dimension) as well as bonding, bridging and linking social capital (network dimension) could enhance the opportunities of the marginalized and excluded groups to have access to resources and socio-emotional goods. Poverty eradication programmes in India and across the world (SHGs, Kudumbasree, Grameen Bank, etc.) have relied on building social capital to facilitate the deprived groups to engage with the resource – rich networks enabling them to come out of deprivation and poverty.

7. Reference

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