

The role of social capital in the development of rural non-farm enterprises: A case study in Chimanimani District, Zimbabwe

by

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DEDICATION

To my wife Esther, my son Carlton and my parents Mr. and Mrs. C.M. Zuwarimwe, who have always been my pillars of strength and inspiration.

DECLARATION

I, the undersigned, declare that this dissertation, submitted for the degree of PhD, Rural Development Planning in the Department of Agricultural Economics, Extension and Rural Development at the University of Pretoria, is my own work, and where applicable, relevant sources have been quoted. I also solemnly declare that, to the best of my knowledge, this dissertation or any part of it has not been presented anywhere else for the purpose of obtaining a similar academic award.

Signed, this day of, in the year of our Lord 2009.

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**THE ROLE OF SOCIAL CAPITAL IN THE DEVELOPMENT
OF RURAL NON-FARM ENTERPRISES: A CASE STUDY IN
THE CHIMANIMANI DISTRICT, ZIMBABWE**

by

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ABSTRACT

This study investigated the role of social capital in the development of rural non-farm enterprises in the Chimanimani district of Zimbabwe. The specific objectives of the study were to explore the use of social capital by small-scale rural non-farm entrepreneurs in the establishment and expansion of their enterprises and in the coordination of intra-enterprise activities. The study isolated the principal social capital for enterprise development from the most important social networks used by the entrepreneurs. The research aimed to generate knowledge that will improve policy on entrepreneurship development as well as to contribute to the academic debate on the role of social capital in economic development.

While it is a fact that small-scale non-farm enterprises are critical for rural livelihoods diversification, how entrepreneurs overcome obstacles to the establishment, expansion and coordination of their intra-enterprise activities is still to be fully investigated. Moreover, whereas previous research has shown that social capital facilitates economic growth in various ways; little is known about such the use of social relationships in rural non-farm enterprises. This is shown by disjointed approaches to entrepreneurship development programmes and subsequent unsatisfactory economic outcomes from the small-scale enterprise sector in Zimbabwe, which is yet to achieve the desired economic growth to improve rural household welfare.

This study surveyed 130 small-scale rural non-farm entrepreneurs from the Chimanimani district, using a combination of positivist, phenomenological and case study research approaches to capture both quantitative and qualitative data. The data was analysed using a hybrid of quantitative and qualitative data analytical techniques in order to get a description as well as a deeper understanding of the role of social capital in enterprise development. The principal component analysis model was used to isolate the principal forms of social capital that stimulate enterprise development in the district. This model established that personal networks, collaborative networks, active participation in social activities and investment in group activities account for most of the variability among rural non-farm enterprises.

The research established that social networks with friends, relatives and business partners were very useful in the various stages of enterprise development. Business partners and non-governmental organisations were the major sources of capital needed to expand enterprises. The research also established that rural non-farm entrepreneurs mainly employ relatives and friends to facilitate intra-enterprise coordination. To further facilitate such coordination, they also engage in various activities that build and consolidate social networking at their enterprises. The results also

showed that there were some differences in the use of such networks between male, female and family-owned enterprises, indicating gender differences in the use of social capital for enterprise development.

However, although social networks may be productive in the initial stages, they may have long-term effects on the sustainability of enterprises in terms of overall employment creation and productivity. For one, they might lead to discrimination against potential employees who might not be connected to the entrepreneurs. Moreover, there is a danger of over-socialising the workplace, which could be counter-productive and hinder the bringing in of new ideas and innovation. Such over-centralisation of activities in rural enterprises could also be counter-productive in the event that the owner of the enterprise is incapacitated and unable to continue making important decisions.

The study contributed to the debate on the role of social capital in economic development by using rural non-farm enterprises in the Chimanimani district of Zimbabwe, unlike previous studies that have dealt mainly with urban-based or farm-based enterprises. It also revealed useful insights into the gender dimensions of social networks used by entrepreneurs. This is particularly important for the design of enterprise development programmes where social capital issues are to be factored in.

However, deeper understanding might be gained if similar studies are carried out in a different location to ascertain the results' consistency over time, or even by applying the same methodology to entrepreneurs in a similar line of business. In the final analysis, researchers on social networks and entrepreneurship development should not lose sight of the fact that entrepreneurs will revert to the social capital available to them as long as there are failures in existing formal economic institutions.

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