Social Capital and Socio-Economic Development in Developing Political Economies

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ABSTRACT

This article reflects on the literature and theoretical frameworks regarding social capital, the positioning of social capital in state and society relations and their contribution to socio-economic development. The argument presented here is that socio-economic development does not take place in a political vacuum and the success or failure of development initiatives – including achieving socio-economic development and reducing poverty – is often reflected in the extent to which the peculiarities of a particular political system, power relations and social relationships are acknowledged and accommodated. Although grounded in Political Science, Political Economy and Political Development, the debate and theoretical development in these fields are still evolving, and the debate regarding the role of social capital is still ongoing. The article emphasises the role and character of social capital in providing the necessary links and relationships among individuals, groups and state and society to enhance the socio-economic development outcomes. It also reflects on some of the initiatives such as the World Bank's Social Capital Initiative and empirical evidence of the contribution of social capital in achieving socio-economic development.

INTRODUCTION

Social scientists have been able to prove empirically that the quality of public life and the performance of social institutions are greatly influenced by norms of and networks in civic engagement. These formal and informal networks build social capital. Abundant stock of social capital appears to be related to economic performance, effective political institutions, low rates of crime and the absence of a range of other social ills (Brewer 2003:7) Fukuyama (2002:23) states that social capital is a key ingredient in both economic development and stable liberal democracy. "Social capital is what permits individuals to band together to defend their interests and organise to support collective needs . . . If liberal democracy will be the context in which most developing countries try to enact economic policy and stimulate growth, then social capital is critical to the strength and health of that political framework." (Fukuyama 2002:26) The significance of cohesion in a society, based in trust, cooperation and reciprocity is generally accepted as fundamental to the durability of a democracy.

The original theoretical development of the concept by the French sociologist Bourdieu (1980 cited in Portes 2000) and the American sociologist Coleman (1993a, 1993b) centred on individuals or small groups as the units of analysis. With some significant variations, both scholars focus on the benefits accruing to individuals or families by virtue of their ties with others. Bourdieu's treatment of the concept, in particular, is instrumental, going as far as noting that people intentionally build their relations for the benefits that these will bring later (Bourdieu 1985 cited in Portes 2000). However, Putnam (1993) brings social capital to the forefront, and attempts to quantify it with his study into regional governments in Italy and subsequent work on social capital in the United States of America (Putnam 2000).

DEFINING SOCIAL CAPITAL

Some of the most prominent scholars in the social capital debate describe social capital as follows: "Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspects of social structure, and they facilitate certain actions of individuals who are within the structure" (Coleman 1990:302). Also, "a culture of trust and tolerance, in which extensive networks of voluntary associations emerge" (Inglehart 1997:188); and "Features of social organisation such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit" (Putnam 1995:67). Fukuyama (1995:10) regards it as "the ability of people to work together for common purposes in groups and organisations" and "the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them".

The Organisation for Economic Cooperation and Development (OECD) defines social capital as "networks together with shared norms, values and understandings that facilitate cooperation within or among groups" (Cote & Healy 2001:41). The World Bank (WB 1998:1) is more expansive and suggests: "Social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions . . . Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together". In addition to the challenge of a broadly agreed definition, various levels of social capital, including micro (individual), meso (group) and macro (societal), as well as various manifestations, including structural and cognitive social capital are identified.

> *Structural social capital facilitates mutually beneficial collective action through established roles and social networks supplemented by rules, procedures and precedents (Hitt, Lee & Yucel 2002). Structural social capital facilitates information sharing, and collective action*

and decision making through established roles, social networks and other social structures supplemented by rules, procedures, and precedents. As such, it is a relatively objective and externally observable construct. Cognitive social capital refers to shared norms, values, trust, attitudes, and beliefs. It is therefore a more subjective and intangible concept (Uphoff 2000). Cognitive social capital, which includes shared norms, values, attitudes, and beliefs, predisposes people towards mutually beneficial collective action (Krishna & Uphoff 1999).

Despite the absence of a single definition, a minimum consensus however prevails regarding the elements of social capital, which include norms, networks, institutions, relationships, civic engagement, membership of voluntary associations, trust, reciprocity and altruism.

The most common distinction established when discussing social capital is between bridging, bonding and linking. Putnam suggests that bonding social capital is good for 'getting by' and bridging is crucial for 'getting ahead' (Putnam 2000:19). Bonding (exclusive) social capital refers to relations amongst relatively homogenous groups such as family members and close friends and is similar to the notion of strong ties. Putnam (2000) describes examples of bonding social capital, for example, ethnic fraternal organisations and church based women's groups. Bridging social capital connects different types of people and groups (ethnic, social, gender, political or regional) and can be particularly effective for people seeking social and economic gain beyond their immediate society (for getting on in life). Bridging (inclusive) social capital refers to relations with distant friends, associates and colleagues. This type of social capital arises when associations and connections are made across social, geographical or strong identity lines (Policy implications of social capital 2003:34). Initially, social capital literature focused only on these two types of social capital. It was soon recognised though, that an essential and analytical unit was amiss and Woolcock (2001, 2002) and others introduced linking social capital. Linking social capital refers to relations between individuals and groups in different social strata in a hierarchy where power, social status and wealth are accessed by different groups (Cote & Healy 2001:42).

Where bridging social capital 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. So defined, access to linking social capital is demonstrably central to well-being, especially in poor countries and communities, where too often bankers charge exorbitant interest rates, the police are corrupt, and teachers fail to show up for work. Local leaders and intermediaries able to facilitate connections between poor communities and external development assistance (including government programs) constitute an important source of linking social capital (Grootaert et al. 2004:4).

Linking social capital describes connections with people in positions of power and is characterised by relations between those within a hierarchy where there are differing levels of power; it assists with accessing support from formal institutions (Social Capital Measuring Networks and Shared Values). It is not the mere presence of 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, and general practice medicine (Grootaert, Narayan, Jones & Woolcock 2004:4). Linking social capital connects groups and individuals to others in a different social position, for example, those more powerful or socially advantaged policy implications of social capital 2003:34). Woolcock (2001:69) extends the broad definition to include the capacity to leverage resources, ideas and information from formal institutions beyond the community. If there is insufficient linking social capital – or vertical articulations – individuals, groups and communities are isolated from power and influence, as well as resources. This includes isolation from proper government services and economic opportunities.

Although its dynamics are still actively being debated, some feel that social capital bridges *structural holes* within the society, allowing more efficient networking, and it is argued that social capital works by overcoming collective action problems and reducing the cost of social transactions. There is a general intuitive sense that social capital strengthens communities and specifically that it is a necessary ingredient for socio-economic development at community level (Dale & Newman 2010:8). Dale and Newman explore – in a study in Vancouver, Canada – why network formation is so critical to socio-economic development at community level. The research points towards the nature of socio-economic development issues; for example, local communities might well be able to address land use matters, but have no capacity to inform decisions related to land fragmentation. Development therefore, implicates multiple scales (micro, meso and macro), multiple levels of government (local, regional, national and global), and multiple and diverse societal actors (Dale & Newman 2010:8).

No one community has the capacity to achieve socio-economic development in isolation from other communities, as communities are a system of embedded community networks on a much larger scale. Thus, traditional hierarchical decision-making models are inadequate to deal with the interdependent nature of socio-economic development in an increasingly global economy (Dale & Newman 2010:9). Networks are one critical way of overcoming some of the barriers to socio-economic development. They, however, are simply relationships among people, where trust and reciprocity play a large part and can be closed or open, similar or diverse. Dale and Newman (2010:9) argue that the network structure that is necessary to achieve socio-economic development is one that is open, diverse, and involves social capital ties at the bridging and vertical – or linking – levels. Bridging ties lead out of the local organisation to outside resources and vertical ties lead to decision makers and authority figures. Networks can be regarded as a manifestation of linking social capital.

The success of networks over time appears to be dependent upon external enabling conditions often outside the resources of the community, hence, the critical role of networks to create bridging and vertical ties, and it is especially important for marginalised communities to gain a measure of autonomy and control over their future. Vertical or linking ties may be the most crucial for access to enabling government policies and incentives for all communities (Dale & Newman 2010: 18). Collaborative networks designed to bridge the political boundaries and traditional power and conflict dynamics of different levels of government are basic to the resolution of broad horizontal, crosscutting issues such as socio-economic development. Social capital can also make a difference at the local community level. Networks provide the means for a community to access resources within (Dale & Newman 2010:17). For the poor and the marginalised, one assured form of capital is social capital. One of the distinctive features of the social capital perspective is its approach to understanding poverty. Living on the margins of social and economic existence, the social capital of the poor is the one asset they can potentially draw upon to help negotiate their way through difficult times and circumstances. While much of the discourse surrounding poor people and poor economies is one of *deficits*, a virtue of the social capital perspective is that it allows theorists, policy makers, and practitioners to take an approach based on *assets* (Woolcock 2002:32).

Social capital is arguably the social resources upon which people draw in pursuit of their livelihoods. Such social capital develops through the interrelated activities of networking, membership of formalised groups and relationships of trust, reciprocity and exchange (Mubangizi 2003:141-142).

If the question: "Is social capital a necessary and sufficient condition for socio-economic development?" is asked, the answer is negative, owing to the dynamic interaction of three aspects. First, no one community can respond on their own initiative; secondly, it requires unprecedented levels of cooperation and partnership; and thirdly, it means working both locally and globally simultaneously through networks of collaboration. Collaboration for socio-economic development means that increasingly local community organisations, leaders, and governments must form partnerships with other levels/spheres of government, with the private sector, and with civil society organisations (Dale & Newman 2010:18).

Social capital is not a sociological construct merely referring to or describing relationships among individuals and groups. Social capital provides the link between society and the state; it serves as the connective tissue in society, which enables cooperative behaviour for mutual benefit. It addresses issues of trust, be it social or political, which enables – or greases, as referred to by Kay (2006:165-166) – the interactions and transactions among individuals and groups and among individuals and groups and the state. Trust influences social relations, economic transactions and political participation. Social capital is consequently a critical element in socio-economic development, where the state and groups or communities have to reach consensus and interact at an optimum level to determine and address the socio-economic needs of society. The role of the state and of government within the state is critical to the achievement of socio-economic development.

ROLE OF THE STATE AND GOVERNANCE

Governance is a neutral concept: it denotes the exercise by the political authority of the task of overseeing the administration of the affairs and resources of society. Good governance occurs when such practice is in the hands of an effective leadership committed to the development of the resources of society, and the advancement of citizens and their well-being with their consent, participation and support. There are three dimensions to administering the affairs of society through good governance: a political dimension, which comprises the political authority and management; a technocratic dimension, represented by an efficient public administration; and, a social dimension related to the manner in which society is structured, its vitality and relation with the state. These three dimensions are interrelated in a manner that, for instance, any administrative reform undertaken without the political will to separate public administration from the interests of politicians to ensure an independent and effective administration will not render competent and effective governance. Moreover, relations between civil society and the government and its apparatus, such as the public administration, should be based on the principles of separation and cooperation to produce a strong civil society that can contribute to development, oversee the government and hold it accountable. Sustainable socio-economic development is conditional on political, economic, social, environmental and cultural sustainability. Good governance is the basis of political sustainability which, in turn, provides the link between the other prerequisites of sustainability, as each one of these influences and is influenced by the other (Chapter Four: Social Capital Formation and Sustainable Human Development:1).

Dale and Newman (2010) assert that governance – in conjunction with linking social capital – is critical to, and a necessary condition for, socio-economic development.

> *Earlier works on the link between social capital and governance put emphasis on particularly bridging social capital, for example, Narayan and Woolcock's various writings, however later developments put great emphasis on linking social capital, and also acknowledge the importance of all three forms, that is, bonding, bridging and linking. It is the focus of ongoing discussion as to whether the bridging and linking social capital that can facilitate access to mainstream social and economic activity can be established without diminishing high levels of bonding social capital. However, the consensus among researchers is that there is no ready-made 'one-size fits all solution' to the potential negative spill over effects that one type of social capital might have upon another. It is also recognised that the three different strands of social capital are not a prescriptive process. Interpreted within the context of the research conducted by Campbell, Hughes, Hewstone and Cairns (2010), the policy implications are clear; initiatives designed to enhance social capital, even those that reflect current variations between communities need to be subject to ongoing appraisal so that they can respond accordingly to contextual changes. In addition, policy-makers must find initiatives that best address their particular concerns and fit their own development agenda (Campbell et al. 2010:34).*

If one uses the definition of governance as the sum of many ways of individuals and institutions, public and private, to manage their common affairs, then it is a continuing process through which conflicting or diverse interests may be accommodated, and cooperative actions may be taken. Governance includes formal institutions, and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions have agreed to as perceived to be in their interest (Dale & Newman 2010:16).

> *Institutions can be presented as a continuum starting at the one end with customs, norms, values and trust and ending at the other end with formal institutions of the state such as the rule of law, courts, and service delivery agencies. The informal institutions provide and determine how communities interact with the formal institutions, which in turn respond to the socio-economic needs of communities by regulating the political and economic environment and provide services to address social and economic needs.*

The nature of socio-economic development requires interaction between communities and government authorities, between societies and the state, that is, government and other service providers, with communities. Communities need to communicate their needs to authorities, who have in turn to respond to these needs. Without this relationship, the state cannot adequately respond and provide services, processes and opportunities for socio-economic development. In a situation where the state enforces unwanted or unnecessary reforms, or where it does not respond to the particular needs of a community, socio-economic development cannot be achieved. Socio-economic development requires links between authorities and communities, and networks and informal institutions can achieve this through linking with formal institutions. Social capital thus has a crucial role to fulfil in the state-society context (Dale & Newman 2010:9).

Evans (1996) explores the state-society relationship in the context of socio-economic development. He questions whether effective state institutions can create social capital and whether social capital – in the form of civic engagement – can strengthen state institutions. He concludes that the difference in development outcomes can be ascribed to levels of social capital. It can be argued that greater endowments of (positive) social capital will have a positive effect on the state-society relationship, which will in turn result in better developmental outcomes. The synergetic view suggests that development and economic prosperity occurs as a result of a coalition between the state and civil society in the pursuit of common goals. Social capital is, therefore, regarded as a mediating variable that is cultivated by public and private institutions, while at the same time having an important impact upon development outcomes such as economic prosperity (Campbell *et al.* 2010:27). A structural approach to institutional change and development suggests that effective societal transformation depends on poor people's political capabilities and their capacity to mobilise for political action and influence public policy. It holds that changing the existing power relations is an inherently political task, and hence building the political agency or *political capital* of the poor is as important as strengthening their social capital.

> *This argument is based on research conducted in Armenia, which has demonstrated that the main barriers to community participation in Armenia were posed not by a breakdown in interpersonal relations and the 'mentality' of citizens, but rather by the existing power structures that affect rules and arrangements for resource allocation, service delivery and decision making in local communities (Babajanian 2008).*

The main agents of change are local citizens, who claim and negotiate their rights *from below*. Thus, policies and projects that de-link social and political aspects of participation may not be effective in addressing the existing structural constraints and promoting institutional change (Babajanian 2008:1316).

The issues of governance and politics are increasingly becoming part of the formal discourse on participation by development actors. The World Bank approach to social capital emphasises the importance of institutions and political participation. The Community Driven Development (CDD) approach to governance is based on the idea of a *state-society partnership*. This view assumes that local development can be promoted through institutional arrangements encouraging collaboration and partnerships among the state, local governments, service providers and local community groups, and through improvements in the legal and regulatory framework and sectoral policies (Babajanian 2008:1316).

> *In practice, this view is manifested in a relatively new generation of CDD projects that aim at addressing the issues of local governance and social inclusion. These projects are based*

on the bottom-up development model, but place a greater emphasis on the involvement of authorities in participatory processes and provide capacity building support to local governments as, for example, the WB supported Village Investment Project in Kyrgyzstan (Babajanian 2008).

SOCIAL CAPITAL AND SOCIO-ECONOMIC DEVELOPMENT

A pertinent question is: What is the relation among social capital, politics and socio-economic development? In response, Bebbington (2007:155-162) states that social capital is part of a larger project for understanding how relations of difference, power and domination are created and sustained, and how social actors operate within these sets of relationships. Social capital is conceived as part of a system of social, economic and cultural structures and can only be understood in terms of the distribution of resources and power relationships. Bebbington (2007:155-162) argues that Bourdieu's social capital is conceived as part of a system of social, economic and cultural structures, which cannot be dealt with out of context. He states that first, that it is historically and geographically situated. Secondly, it can only be understood in terms of the distribution of resources and power relationships, of which it forms a part and which it serves to reproduce – "power relations are reflected in and reproduced by social networks" (Molyneux 2002:181).

The argument put forward here is that socio-economic development and poverty reduction are about power; who controls what resources; and who has access to it and who does not. Politics shapes the lives of poor and marginalised people in critical ways, and their interactions and experiences with formal and informal types of politics often exacerbate their vulnerability and diminish their sense of dignity (Hickey 2008:349). Examples of this include denying women access to farming land, or when specific groups are discriminated against and either excluded from, or negatively integrated into, political systems. This is underlined when the poor struggle to organise or *empower* themselves, when actors in civil and political society fail to represent them, and when political elites fail to recognise those cast aside as *deserving* (Hickey 2008:349). In support of this position, Hickey (2009:141) states that "politics closely shapes processes of both development and underdevelopment and the challenge of ensuring greater equity and social justice is essentially a political one". Politics therefore underlies the success as well as the failure of development (Moore 2003 in Hickey 2008). As Leftwich (2005:574–75, 598) argues, "the study and explicit promotion of development . . . needs to be understood essentially and explicitly as a political process, embedded in and mutually interacting with a network of socio-economic relationships . . . It is primarily in their politics . . . that the explanations for varying developmental performances of national societies are to be found, and where solutions need to be sought".

What is the value of social capital and how does it contribute to socio-economic development? In response to these questions, it must be made clear that despite the many positive externalities of social capital and its important role in achieving socio-economic development, it cannot be argued that enhanced development outcomes can be achieved, merely through the presence of an abundant stock of social capital. Social capital alone is not sufficient to ensure socio-economic development. The concept of social capital represents assets, just as other forms of capital do (Dhesi 2000:201). All forms of capital

– including physical, human and natural – are essential for development, none of them is sufficient in and of themselves. The point is made for the need for a holistic approach. Social capital cannot achieve everything or perhaps anything, on its own. If no economic opportunities exist, social capital will not make much of a difference. However, when social capital is combined with other capitals (natural, physical and human) these can become more efficient (Woolcock 2002:25). Hence, when considering socio-economic development alternatives, social capital has to be considered. Both in how social capital can contribute, how it can be increased and how it should be considered in development initiatives to link state and society for optimal outcomes.

The idea of social capital as an individual's resource is important in development; however, the idea of social capital as a community's resource is more important (Dhesi 2000:201). Social capital is not in itself a useful instrument to address poverty; it cannot be reduced merely because of the presence of social capital. However, social capital creates the opportunity for links with other groups, and with authorities to systematically address socio-economic development concerns, including reducing poverty. Social capital, or deficient stocks of it, should be regarded as an element of poverty. Much of the discourse surrounding poor people and poor economies is one of deficits; a virtue of social capital is that it is an approach based on assets. Poverty is multi-dimensional and deficits in capital in the social sphere exacerbate poverty as it diminishes the support and survival mechanisms of those with limited access to other capitals. Social capital is critical to mobilise the poor to achieve change. Given certain conditions, social capital can be regarded as an enabling resource that improves the effectiveness of other inputs in development (Dhesi 2000:201).

Synergy between state and society is required to ensure development, and the synergetic view supports the notion that the state and societies in and of themselves cannot achieve socio-economic development (Evans 1996). Macro-economic institutions and horizontal and hierarchical associations can and should coexist to maximise impact of social capital on socio-economic development. It is thus clear that social capital provides a critical connection between society and the state and can be regarded as an important resource – combined with other resources and assets and with the necessary enabling environment – to facilitate socio-economic development. Social capital and its application value have evolved since Putnam (1993, 2000) and Fukuyama (1995) who limited social capital to societies and social relations. It is clear that the concept has progressed from focussing exclusively on issues such as associational membership, as to what contribution it makes in various spheres, including to socio-economic development. When the state-society dimension is brought into the fold, the value of the construct is amplified – in politics and in development.

Work by Rodrik (1999) and Easterly (2000) provide authoritative econometric evidence in support of the general idea that economic growth, in general, and the ability to manage shocks, in particular, are the twin products of coherent public institutions and societies able to generate what Easterly (2000) calls a "middle class consensus". Countries with societies divided along ethnic and economic lines, and weak, hostile or corrupt governments are especially prone to a collapse of economic growth.

Econometric data corroborates the contribution of social capital to economic growth (Neira, Va'zques & Portela 2008:122-127). A number of scholars, including Fine (2000:8-14) are highly sceptical of the contribution of social capital to economic growth. Fine focuses exclusively on the value of social capital in economic growth and development, without acknowledging the social dimensions of these phenomena. Social capital is a concept that does not fit comfortably in traditional econometric models and as a result Fine (2000) and others dismiss the concept. However, it is argued here, that owing to its nature and scope, social capital is not ideally suited to these existing models, but this should not serve as an argument to disregard the value of the concept. An attempt to apply narrow econometric models to social capital, denies the multi-dimensional nature of the concept. Social capital is a broad concept, is multi-faceted and incorporates a range of social and economic factors, including issues such as socio-economic rights, access to services and better economic opportunities. Socio-economic development is much wider than economic growth and also includes more (intangible) factors such as rights and freedoms of which social relations and relations with the state, are indeed vital (Alkire 2007:2). To only regard social capital's contribution to development from a purely economic perspective is flawed and does not recognise the critical social dimension.

However, progress is being made in these areas that draw most criticism. Various scholars have demonstrated the impact of social capital on growth, particularly bridging social capital (Neira *et al*. 2008 and Beugelsdijk & Smulders 2003). Macro-level data has also been presented for political economies in Africa, confirming the positive effect of social capital on income. Studies cited here have confirmed the interaction between social capital and institutional quality, and interaction of social capital with human capital, which have a positive effect on economic development (Baliamoune-Lutz 2005). Knack and Keefer (1995 and 1997) also confirm a positive association between social capital and growth. Through creating indexes from a range of measures of institutional quality, including items such as generalised trust, rule of law, civil liberties and bureaucratic quality, Knack (1999) also concludes that social capital reduces poverty rates and improves, or at a minimum does not worsen, income inequality. Results of the study conducted in Tanzania by Narayan and Pritchett (1997) confirms the positive contribution of social capital in a range of outcomes, contributing to socio-economic development. Knowles (2005) also discusses various arguments as to why social capital may improve economic performance. The Grameen Banks in Bangladesh is an example of how social capital assists the poor with access to resources through their networks, and how a link between state and society can be fostered to achieve developmental outcomes (Evans 1997:184-185).

The WB's Social Capital Initiative (SCI) has yielded an in-depth exploration of the impact of social capital on socio-economic development. The SCI aimed to improve the WB's understanding of the contribution of social capital to socio-economic development and poverty reduction, and to suggest ways through which donor agencies can invest in social capital and create an enabling environment in which social capital can be strengthened. As a result, a number of studies were undertaken to measure social capital in selected countries and to show its impact on development outcomes (Initiative on Defining, Monitoring and Measuring Social Capital: Overview and Programme Description 1998:1-2)

A key objective of the SCI was to promote further work along these lines and to strengthen the methodological and empirical underpinnings for measuring social capital (Initiative on Defining, Monitoring and Measuring Social Capital: Overview and Programme Description 1998:3). The researchers concluded that the SCI case studies – and the empirical literature – document that social capital can directly enhance output and lead to higher productivity of other resources, such as human and physical capital (Grootaert

& Van Bastelaer 2001). Micro and meso-level evidence was presented in this regard by Krishna and Uphoff (1999), Fafchamps and Minten (1999), Isham and Kähkönen (1999) and others. Six SCI studies draw important general conclusions regarding social capital, that is, that greater local social capital results in direct income gains and more widespread and efficient delivery of services. The impact of social capital is manifested through improved exchange of information, higher participation in design, implementation and monitoring of service delivery systems, and more effective collective action. The magnitude of the social capital effect differs from situation to situation, but in several analyses where comparable quantitative measurements were possible, the social capital effect on outcomes proved to be as, or more, important than the effect from other assets such as human and physical capital. Qualitative analysis confirms that the presence of cognitive social capital (trust) can be as or more important than the human capital (technical skills) of development workers (Grootaert & Van Bastelaer 2001).

At the macro level, Knack (1999) argues that, despite certain shortcomings, the various studies point to a significant and positive effect of social capital on economic growth. He also presents additional empirical evidence, which indicate that the impact of social capital is progressive. Knack concludes that the micro-level evidence gathered by the SCI is consistent with the results from the macro-level comparative studies (Knack 1999). The use of social capital measures in an ever increasing range of surveys, studies, study groups, research projects and elsewhere, for an ever increasing range of purposes, can be deduced to suggest that social capital is gaining prominence and its value and applicability in development, policy formulation and empirical research. Data referred to confirms that social capital generally does have a positive impact on, and contribute to, socio-economic development, and hence it can be concluded that the presence of abundant stock of (positive) social capital, impacts positively upon socio-economic development. The inverse is also true, negative or perverse social capital will result in negative externalities for those not part of the group. Rubio (1997) suggests that negative social capital actually suppresses economic development.

CONCLUSION

Socio-economic development is essentially a political concept and challenge, and cannot be separated from the political realm or from the state-society arrangements. The value of social capital lies in the link it ensures between the state and society; it ensures that relationships between members of a group, with members of other groups, and with people in position of authority and power, contribute to the greater good and mutual benefit. Social capital can be regarded as the connective tissue in society, emanating from trust and fostered through networks, civic engagement and participation. The state cannot be adequately responsive to its citizens in the absence of links with society. Society cannot communicate its needs and priorities, and the state cannot respond appropriately without the links between state and society – the social capital. In order to achieve socio-economic development and address the needs in a society, a multi-disciplinary approach must be applied, with due regard for the political, economic and social dimensions of development. It is argued here, that socio-economic development is challenging to achieve when it is politically de-contextualised and insufficient attention is paid to the societal dynamics, relations, and structures affected by development efforts.

It has been demonstrated that social capital ensures the critical link between state and society. If the principle is accepted that state-society relations matter for socio-economic development, then the society and the state cannot be separated. Any development intervention which aims to impact upon the society has to consider the role of the state, and the state has to consider how its development initiatives and reforms first, considers the needs of the beneficiaries and secondly, how it will impact upon society. In developing political economies, a range of actors often assist in this process, and provide additional resources to address the socio-economic needs of communities on a small scale, or societies on a larger scale. Development actors need to consider how the development initiatives can be constructed to contribute to socio-economic development. This includes considering if and how social capital can be created; and how social capital can aid development. Socio-economic development cannot succeed without a strong state-society relationship, and social capital, and particularly linking social capital, is critical to ensure this link.

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