



Social capital and rural development: an introduction to the special issue

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The purpose of this volume is to extend our thinking about social capital as a framework for understanding a range of socio-economic behaviors and circumstances for which the traditional neo-classical economic model has limited explanatory value. We are especially interested in the role that social capital plays in the development process, in economies where missing or informal markets and unenforceable contracts may be common.

Social capital theory and network analysis contribute to our understanding of the development process and improved well-being. Social capital analysis illustrates the economic value in relationships and collective activities. Social networks, a proxy for social capital, allows us to observe and map the resources embedded in social connections. Networks that are outcomes of social capital may reduce transactions costs, stimulate backward and forward linkages and provide a channel for new information and technology. Networks provide the foundation for collective action and may also create economies of scale furthering the well-being of resource constraint communities.

This collection of papers examines the various ways social capital may relax or create binding constraints and influence economic and social well-being. If social capital is able expand in communities where formal markets such as credit, information, labor are constrained, does this trigger change in the structure of the local economy, leading to adoption of new productive activities or techniques, more formal rules or standard operating procedures and as such contribute to more inclusive and

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sustainable economies? To address these questions, the papers have been grouped as conceptual frameworks, the role of NGOs, development policy, the environment and the 'dark side' of social capital.

Robison and Oliver, in *Rationalizing Predictably Irrational Choices: The Social Capital Synthesis* make an important contribution to the conceptualization of social capital. They present a synthesis of neoclassical, behavioral and socio-economic models to help us understand what sometimes is seen as irrational economic exchanges. The authors suggest that this synthesis explains the exchange of commodities and relational goods. They define commodities as physical good and services whose value comes from ability to satisfy mostly physical needs. These require human, physical and natural capital. Relational goods are defined as those whose value depends on their connections to people. They evolve from sympathetic, empathic trusting relationships which they define as social capital. According to their framework, relational goods satisfy mostly socio emotional needs—internal validation, self-actualization, need for connectedness. The type of good helps us predict whether exchanges will take place in social capital rich relationships or through arm's length transactions. This dichotomy deepens our understanding of what is traditionally termed irrational behavior. When applying their synthesis to the challenges of development, the authors warn about 'cheap social capital' similar to the dark side of social capital (Baycan and Öner) where certain groups are left out of networks and those in a network may reinforce the ties in their network by agreeing to hate or vilify those outside. This can have a negative effect on those marginalized, further diminishing access to resources and information.

Many development projects are designed by non-governmental organizations (NGOs) with the goals of improving well-being for vulnerable populations. The two articles by Hartmann et al. and Fitzpatrick and Akgüngör, examine the role of NGOs in nurturing indigenous social capital to spur innovation, improve livelihoods and thereby enhancing sustainable outcomes. In Hartmann, et.al study *The Network Effects of NGOs on Social Capital and Innovation of Smallholder Farmers: A Case Study in Peru*, the authors use social network analysis and econometrics to analyze the effects of an NGO development project on social capital and innovation of farmers. This involves an examination of socioeconomic characteristics, sources of technical information and types of innovation. The results indicate that the NGO contributed to increased social cohesion (social capital), innovative behavior and technical communication between farmers. This study makes several important contributions to development practice. It empirically demonstrates the effect an NGO can have on innovative behavior and the conditions necessary for this success. This analysis of the social-technical relationship and innovation among farmers provide important information about the factors which can influence the success of an NGO intervention. Finally, the techniques used in this study reveal the sustainability of the interventions, that is, the point at which participants assume the leadership role in a project. While the NGO in this case changed the power differential in the first two periods of the study, the latter period showed farmers playing an important leadership role in disseminating technical information and facilitating communication among farmers. The focus on human and social capital provides an

NGO a time frame to successfully exit the project, an important step in designing for sustainability.

Fitzpatrick and Akgüngör's study, *The Contribution of Social Capital on Rural Livelihoods: Malawi and the Philippines Cases*, examines the effectiveness of an NGO intervention designed to augment social capital where social capital is seen as a catalyst to increased economic opportunities. This is especially important in resource constrained communities with missing or incomplete markets. The key questions addressed are whether the intervention significantly increases the stock of social capital and whether this social capital is positively correlated with an increase in income and improved livelihoods. The examination of these two cases in Malawi and the Philippines is instructive to NGOs as it illustrates important contextual variables and implementation strategies that influence changes in social capital and sustainable livelihoods. Both of these studies demonstrate how interventions can augment existing social capital and leverage that social capital to spur innovation, collective action and mitigate the constraints of missing markets in resource constrained rural communities.

Kuştepelı et al. and Yaşlak et al., provide illustration of how social capital can be leveraged to contribute to development objectives. Kuştepelı et al., in *The Role of Agricultural Development Cooperatives in Establishing Social Capital*, ask whether membership in a cooperative augments social capital and improves the perception of increased income. They use social network analysis to measure the quantity and structure of the pathways between individuals and organizations. They find that membership in a cooperative increases social capital thereby strengthening the effectiveness of cooperatives as a mechanism for furthering rural development. Yaşlak et al. study, *Social Networks of On-Line Rural Entrepreneurs: The Case of Turkey*, uses social network analysis to understand how on-line rural based entrepreneurs stimulate economic activity by drawing upon locally based suppliers of inputs and local and global customers. The authors suggested that this growing activity in rural Turkey creates new sources of livelihood and may contribute to economic development. These two cases provide examples of the development possibilities of from two different forms of social capital. Bonding social capital plays an important role in the formation of a cooperative and hence increases the likelihood of catalyzing economic opportunity in a community. Linking social capital plays an important role in the development of a network of suppliers and customers for on-line rural entrepreneurs. Policies that facilitate the deepening of these diverse forms of social capital have potential for regional development.

The papers by Gedikoğlu et al. and Sabir and Torre provide insight onto the role of social capital in understanding why individuals behave in ways that support the sustainability of a common resource rather than exhibiting short run cost minimizing behavior. Gedikoglu et al. study, *Neighbor Effects on Adoption of Conservation Practices: Cases of Grass Filter Systems and Injecting Manure*, examines the role of social capital in adoption of new technologies for conservation. The presence of social capital affects farmer's willingness to adopt conservation practices that involve a common resource that is, if your neighbor uses techniques to contain non-point source pollution, more likely you will as well. This finding could have important policy implications in a resource constrained environment. Drawing on the

social capital—the neighbor effect, suggests that funding a group of farmers rather than individuals to adopt conservation practices may improve stewardship.

The Sabir and Torre paper, *Land Use Conflicts and Social Capital: The Question of Infrastructure Projects in Rural Development*, examines the effects on a community facing conflict due to a large dam project. The challenges experienced include lack of community participation, insufficient attention to resettlement and livelihood programming, conflict surrounding land rights and governance structures insufficient to avoid concerns of fraud and corruption. While these are common challenges with large infrastructure projects, the authors argue that the situation is more difficult because of the absence of bonding social capital (trust) and linking social capital (access to those in power). They tell the story of how a lack of social capital both bonding and linking further exacerbated the problems and made it more likely that conflict would continue and inhibit strong development outcomes for those who lost their land and resources.

Three studies focus on various components of the ‘Dark Side’ of social capital. Baycan and Öner’s paper provides a conceptual framework for understanding the ‘Dark Side.’ Gürel and İzmen examine how social capital can be used to exclude citizens who are not affiliated with political elites and Sun et. al explore the situations in which social capital can create constraints or opportunities. All three of these papers remind us of the importance of the positive and negative development outcomes associated with social capital.

Baycan and Öner, *The Dark Side of Social Capital: A Contextual Perspective*, alerts us to the role that social capital can play in creating or reinforcing cliques, where bonds of reciprocity and trust can exclude others and encumber the formation of bridging capital to the larger economy. The lack of links to the outside may limit opportunities for the individuals or the group for income, career, or social status. Social capital typified by strong ties is often seen with homogeneous groups whether that be ethnic, geographic or cultural. The boundaries of these groups may keep others out and limit the opportunity of those within. The kinship paradox which has led to gender-based violence, corruption and organized crime are examples of this dark side of social capital discussed in this paper. Although a dichotomy between the ‘good’ and the ‘bad’ social capital may be problematic, examining the context-dependent nature of social capital enables an understanding of the negative elements of social capital and how this may actually encumber development outcomes.

İzmen and Gürel’s paper, *The importance of Linking Social Capital in Unequal and Fragmented Societies: An Analysis of Perceived Economic Well-Being in Turkish Rural and Urban Households*, illustrate the shadow side of social capital by exploring the role that linking social capital plays in facilitating access to resources for the poor. Linking social capital examines the ties between various groups of households such as urban/rural, or party affiliation and those with power and authority. The authors find that linking ties were the most important factor explaining perceptions of economic well-being for the post 2002 period in Turkey especially for those connected with the current ruling party. While understanding the importance of linking capital for access to resources, the authors also warn of the potential of linking capital to have undesired effects for those not in favored political groups thus exacerbating inequality and inhibiting economic development.

Sun et al. study, *Does social capital influence small business entrepreneurship? – Differences between urban and rural China*, discusses the conditions in which social capital can limit or create social and economic opportunities. The authors explore the conditions in which social capital makes entrepreneurial activity more attractive to an individual. For the rural educated they find social capital yields access to credit, inputs, a network of customers and the experience of others. For those in urban settings, social networks are used to achieve more preferred formal employment. This is in part because formal employment is seen as more secure and stable, and more prestigious. In both rural and urban China, poorer educational attainment, leads to a higher likelihood of small business entrepreneurship. The authors draw on the distinction between ‘entrepreneurship by opportunity’ and entrepreneurship by necessity to make the links to development. They suggest that ‘opportunity entrepreneurs’ contribute more to growth and job creation whereas ‘necessity entrepreneurs’ do not create additional employment and may just sustain a household. They suggest that policy should be focused on opening networks for those current stuck in a ‘necessity’ framework.

Jardon et al. study titled “*Sources of knowledge for innovation capability in Subsistence Small Businesses: A case of the wood sector in Argentina*” point the importance of innovative ways for competition particularly with regards to small business and subsistence firms in developing countries. The paper analyzes the effect of different knowledge sources in improving the innovative capability of the firms. The authors discuss the significance of internal and external sources of knowledge and demonstrate that informal information ties across actors are important for knowledge sharing.

We hope this volume will spark further interest in articulating what we mean by social capital and how we measure it. This work can inform policy makers as on ways to catalyze indigenous social capital where there is the opportunity to improve lives and to discourage social capital where it harms human possibilities and dignity of communities. There is still much work to do in carefully defining social capital, measuring changes in social capital and studying cases that have affected the sustainability of development outcomes among the most marginalized.

1. Lindon J. Robison, Jeffrey R. Oliver. Rationalizing Predictably Irrational Choices: The Social Capital Synthesis.
 - Lindon J. Robison, Michigan State University
 - Jeffrey R. Oliver, Brigham Young University
2. Dominik Hartmann, Atilio Arata, Mayra Bezerra, Flavio L. Pinheiro. The network effects of NGOs on social capital and innovation of smallholder farmers. A case study in Peru.
 - Dominik Hartmann, Federal University of Santa Catarina
 - Atilio Arata, Center for Studies and Promotion of Development (DESCO)
 - Maya Bezerra, Fraunhofer Center for International Management and Knowledge Economics
 - Flavio L. Pinheiro, Universidade Nova de Lisboa

3. Ellen Fitzpatrick, Sedef Akgüngür. The contribution of social capital on rural livelihoods: Malawi and the Philippines cases.
 - Ellen Fitzpatrick, University of Oregon
 - Sedef Akgüngör, Dokuz Eylül University
4. Yesim Kuştepelı, Yaprak Gulcan, Murat Yercan, Batuhan Yıldırım. The Role of Agricultural Development Cooperatives in Establishing Social Capital.
 - Yeşim Kuştepelı, Dokuz Eylül University
 - Yaprak Gülcan, Dokuz Eylül University
 - Murat Yercan, Ege University
 - Batuhan Yıldırım, Aydın Adnan Menderes University
5. Burcu Yaşlak, Aliye Ahu Akgün, Tüzın Baycan. Social Networks of Online Rural Entrepreneurs: The Case of Turkey.
 - Burcu Yaşlak, İstanbul Technical University
 - Aliye Ahu Akgün, İstanbul Technical University
 - Tüzın Baycan, İstanbul Technical University
6. Haluk Gedikoglu, Şansel Tandoğan, Joseph Parcell. Neighbor Effects on Adoption of Conservation Practices: Cases of Grass Filter Systems and Injecting Manure.
 - Haluk Gedikoğlu, Konya Food and Agricultural University
 - Şansel Tandoğan, Konya Food and Agricultural University
 - Joseph Parcell, University of Missouri
7. Muazzam Sabir, André Torre. Land Use Conflicts and Social Capital: The Question of Infrastructure Projects in Rural Development.
 - Muazzam Sabir, University of Sargodha
 - Andre Torre, University Paris Saclay
8. Tüzın Baycan, Özge Öner. The Dark Side of Social Capital: A Contextual Perspective.
 - Tüzın Baycan, İstanbul Technical University
 - Özge Öner, University of Cambridge
9. Ümit İzmen, Yeşim Üçdoğruk Gürel. The importance of linking social capital in unequal and fragmented societies: an analysis of perceived economic well-being in Turkish rural and urban households.
 - Ümit İzmen, Namık Kemal University
 - Yeşim Üçdoğruk Gürel, Dokuz Eylül University
10. Xianhua Sun, Ailun Xiong, Hongyi Li, Hans Westlund, Yuheng Li. Does social capital influence small business entrepreneurship?—Differences between urban and rural China.
 - Xianhua Sun, Chongqing Technology and Business University

- Ailun Xiong, University of Cambridge
 - Hongyi Li, Chinese University of Hongkong
 - Hans Westlund, KTH Royal Institute of Technology
 - Yuheng Li, Chinese Academy of Sciences
11. Carlos M. Jardon, Nilda C. Tañski, Xavier Martinez-Cobas. Sources of knowledge for innovation capability in Subsistence Small Businesses: A case of the wood sector in Argentina.
- Carlos M. Jardon, Universidade de Vigo
 - Nilda C. Tañski, National University of Misiones
 - Xavier Martinez-Cobas, Universidade de Vigo

List of Papers in order of appearance in the Special Issue.

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