What Is Social Capital? A Comprehensive Review of the Concept

Article *in* Asian Journal of Social Science · June 2009

DOI: 10.1163/156853109X436847

2 authors:

Humnath Bhandari
International Rice Research Institute

Kumi Yasunobu
Tottori University

Asian Journal of Social Science, Volume 37, Number 3, 2009, pp. 480-510

What is Social Capital? A Comprehensive Review of the Concept

Humnath Bhandari and Kumi Yasunobu

Abstract

Social capital is an old concept but it entered into academic and policy debates only in 1990s. Its importance in explaining economic and social phenomena have been increasingly felt in recent years. Literature on theoretical and empirical aspects of social capital grew significantly during last decade. The whole notion of social capital is centred on social relationships and its major elements include social networks, civic engagement, norms of reciprocity, and generalised trust. Broadly speaking, it is defined as a collective asset in the form of shared norms, values, beliefs, trust, networks, social relations, and institutions that facilitate cooperation and collective action for mutual benefits. It is a complex multidimensional concept having different dimensions, types, and levels of measurement. Common types of social capital include: structure and cognitive; bonding, bridging, and linking; strong and weak; and horizontal and vertical. It can be measured and analysed at individual- and collective-levels in terms of social perspective and micro-, meso- and macro-levels in terms of geographic perspective. The properties of social capital, such as capacity to appear in as an explanatory variable in the production function, accumulation over time, capability of improving economic performance, investment with expected future returns, convertibility, and the need of maintenance, make it qualify as a form of capital, though there are some criticisms about the use of term 'capital' in social capital. Research on social capital remains in its initial stage and the concept is still elusive, prone to contextual definition, deficient in common measurement indicators, inability to explicitly quantify effects, and subject to various criticisms. Conceptual and measurement imprecision has led the concept prone to vague interpretation, less empirical application, and underestimation of its value. More empirical studies and testing of the concept on the ground is needed to develop a commonly accepted definition and measurement indicators that can explicitly disentangle and quantify its effects on overall development processes. Better conceptualisation and operationalisation of social capital theory is helpful to attract more investment on its development, design appropriate social policies, and promote sustainable development.

Keywords: *social capital, review, definition, types, controversies, economic development*

Introduction

Social scientists and development experts often puzzle to explain why economic growth and development differ significantly across countries or regions that enjoy virtually equal access to technology, resources, and market in a modern global world. Explaining large economic disparities across countries having otherwise identical production environments in terms of technology and capital (natural, physical, and financial) is a major challenge for researchers. In the past, economists employed different theories to address the variation in economic development, but satisfactory explanations still remain at large. For many decades, the standard economic theories, such as Solow growth model and Walrasian equilibrium model, were the dominant mode of economic analysis. These rational choice models assumed that economic variables account most, if not all, of variations in economic outcomes. These theories focused primarily on economic variables and hardly recognise the potential role of social and cultural factors on economic development. Essentially, socio-cultural factors were left unaccounted for in standard economic theory (Bilig, 2000). Even now, mainstream economic theories pay little attention to social values and are reluctant to rely on these values as potential determinants of economic outcomes (Barro and McCleary, 2002; Guiso et al., 2006).

Over time, economic theories have been criticised on various grounds. First, they fail to explain economic growth and development outcomes fully. The literature argues that standard factors of production (technology, physical capital, and human capital) explain only part of the development story. There are social and cultural factors (norms, values, beliefs, and institutions) that play prominent roles in economic performance and we need to account those cultural factors in explaining development (Easterly and Levine, 2001; Christoforou, 2005). Second, they are unable to explain why unprecedented economic growth is not sustainable and usually accompanies undesirable outcomes, such as income inequality, low improvement in quality of life, social injustice, social conflicts, adverse effects on environment, etc. Third, they fail to account social values systems in economic development. Fukuyama (2001) criticised that economists normally make simplifying assumptions that human beings are rational and their utility maximising behaviour is invariant across societies. As a result, they ignore the social value systems. All these criticisms are interrelated and emphasized the importance of social and cultural factors in economic theories. This seems to suggest that viewing development from a one-dimensional (economic) perspective would be a conformist idea. Indeed, economic activity is deeply embedded in social structure, where socio-cultural values influence personal traits of an individual that consequently affects the economic outcomes (Carpenter et al., 2004; Chuah et al., 2005; Sabatini, 2006). Therefore, social factors are key determinants of economic progress and hence economic theory without socio-cultural variables is deficient (Inglehart, 1997).

Development is a complex multidimensional process involving major changes in social structures, behaviours, and national institutions, as well as the acceleration of economic growth, reduction of poverty, narrowing of inequalities and improvement in the quality of life (Todaro, 2000). It, thus, embraces economic, social, cultural, political, and environmental variables. Development, thus, is not a mere increase in per capita income as mainstream economists often argue, rather it is an improvement in quality of life, which requires equal consideration of underlying social and cultural systems. Obviously, economic variables are prominent driving force of development, but the frontier of development transcends beyond income. Socio-cultural value systems help shape the economic, social, and political behaviour and affect development through indirect multiple channels. Successful explanation of economic development, thus, has to go beyond narrow measures of economic variables to encompass social and political variables (Johari, 1989; Barro and McCleary, 2002). Social scientists, particularly economic sociologists and development economists, believe that cultural values pervade economic behaviour and, hence, they cannot be ignored in economic analysis (Granovetter, 1985; Fukuyama, 2001; Harrison and Huntington, 2000; Tabellini, 2005). If development is defined not just as growth in per capita income, but more broadly as improvement in the quality of life, then cultural values can serve as both the ‘means’ and ‘ends’ of development (Sen, 1999). This implies that both economic and social factors are equally crucial in explaining the economic phenomena.

The cultural dimension was considered to stay beyond the purview of economic behaviour in the past. But as economic development ended up with low welfare improvement and rising social problems, and economic models failed to explain the economic behaviour fully, cultural dimension has became subject of interest into economic discourse (Ben-Ner and Putterman, 1997). This led to re-orientation of the development approach, placing emphasis on norms, values, beliefs, and institutions as well. The basic notion is that a proper understanding of the welfare and economic situation of society can only be achieved if the social dimension is also taken into account (Iisakka and Alanen, 2006). The importance of socio-cultural values as essential parameters of development came to surface in 1960s. Besides standard factors of production, economists realised the importance of quality of labour in production and started including human capital (knowledge and skills) as a factor of production. Later on, it was recognised that not only human capital, but also cultural factors are important in economic and social outcomes. This reorganisation of social components on development led to the birth of social capital in 1990s (see Lucas, 1976; Harrison and Huntington, 2000; OECD, 2001). Indeed, rising interest on the interconnection between social values and development led to the birth of the ‘development economics’ and ‘institutional economics’ sub-disciplines. Now, development institutions, like the United Nations and the World Bank, have recognised cultural diversity as an important component of development process and have started incorporating local cultural factors in their development programmes. Literature looking at the relationship between culture and economic phenomena has been growing substantially since then.

Prominent scholars, such as Max Weber, Amartya Sen, Samuel Huntington, etc., claim that culture interacts with economic development in many ways and, hence, cultural dimensions are critical in understanding economic behaviour (Sen, 1999; Landes, 2000). Empirical studies have established the positive influence of socio-cultural values and institutions on economic growth and their critical role in the success of developed countries (Huntington, 1998; Inglehart and Baker, 2000; Hjerppe, 2003). Fukuyama (2001) contended that economic development is influenced not just by the existence of formal institutions, but also by certain norms and values that accelerate exchange, savings, and investment. He outlined four means through which culture affects economic behaviour—impact on organisation and production, attitudes towards work and consumption, the ability to create and manage institutions, and the creation of social networks. The strong linkage between culture and development has been well established now and social scientists are now paying more attention as to how social values can shape the overall development process (Inglehart, 1997; Beugelsdijk, 2003; Guiso et al., 2006; Sabitini, 2006). The strand of literature looking at the relationship between social values and development patterns is on rise (Putnam, 1993; Fukuyama, 1995; Barro, 1997; Inglehart, 1997; Knack and Keefer, 1997; Zak and Kanck, 2001; Gradstein and Justman, 2002; Beugelsdijk, 2003; Pryor, 2005; Guiso et al., 2006; Sabitini, 2006). Incorporation of cultural values in economic models make economic discourse richer, more valuable, better able to capture the nuances of the real world, and make them more useful (Guiso et al., 2006).

Mainstream neo-classical growth models started with variables physical capital and labour, then included human capital, subsequently incorporated institutions, and has finally considered including culture. In the 1990s, a new school of thought on the determinants of economic development emerged, which embracing the concept of social capital (trust, social networks, and institutions) to explicitly explain the effect of socio-cultural values in economic behaviour. This is essentially a reorientation of institutional economics. Social capital embodies cultural traits of a society and is considered as source of wealth (Putnam, 1993; Fukuyama, 1995). The differential impact of norms, values, and beliefs on trust, networks, and institutions is the basis of social capital (Fukuyama, 2001). The appealing characteristic of social capital is that it can be conceptualised and measures in specific forms and can be incorporated into standard economic models (Guiso et al., 2006; Sabitini, 2006).

Researchers have uncovered the role of social capital in economic progress and sustainable development (Putnam, 1993; Knack and Keefer, 1997; Sabatini, 2006). Granovetter (1985) argues that most economic behaviours are embedded in social networks. Social capital plays a significant role in providing access to more information, increasing social cohesion, better civic engagement, reducing opportunistic behaviour, boosting political participation, government responsiveness and efficiency, reducing transaction costs, providing insurance against risk and uncertainties, and solving collective actions problems (Coleman, 1990; Putnam, 1993; Fukuyama, 1995; Woolcock and Narayan, 2000; Lin, 2001; Paxton, 2002; Welzel et al., 2005). Empirical studies have established the positive effect of social capital on health, educational outcomes, social welfare, and reducing tax evasion (UNESCO, 2002; Productivity Commission, 2003; Hombres et al., 2006). Social capital, thus, has a potential to serve as powerful means of development. It can shape the economic outcomes at both the micro and macro levels (Rodrik, 1998). Recently, social scientists, including economists, have became increasingly interested in social capital and have been using this concept as an explanatory variable to explain economic behaviour (Knack and Keefer, 1997; Temple, 2001; Sabatini, 2006).

Large numbers of empirical studies have claimed the positive correlation between social capital and development. Nevertheless, the social capital concept is plagued by theoretical vagueness and conceptual weakness (Ponthieux, 2004) and its practical value has been challenged on various grounds. Sabatini (2006) claims that the relationship between social capital and economic development is still unconvincing and sometimes conflicting. He outlined three weaknesses of social capital—no universal definition and measurement method; no unanimous agreement on the positive relationship between social capital and development; and even when a positive relationship is established, doubts remain on the causal nexus between social capital and its outcomes. Chen (2005) argues that despite actual and perceived positive influence of social capital, there is still some scepticism about whether and how much influence it exerts on economic development and social transformation. Empirical studies on social capital suffer from lack of uniformity with regard to indicators and approaches used to measure aspects of social capital (Harper, 2002). It seems to suggest that social capital is still surrounded by various practical unanswered questions and it is far from clear. However, there is no doubt that it is a promising construct in fostering economic outcomes and, at least, it has become a subject of interest and opened the room for further theoretical and empirical discussion. The formidable challenge ahead is to measure social capital empirically and to establish clear and systematic evidence that social capital indeed is an important predictor of economic outcomes.

Social capital is a newborn concept and research on the topic remains in its initial stage. It is a highly appealing and potential promising concept. Nevertheless, its potential value can be harnessed only when it is properly defined, operationalised, and proven to have explanatory power (Woolcock, 1998). Commonly accepted definition, operationalisation, and measurement of social capital are essential to understand the concept comprehensively, to measure it in a consistent and coherent fashion, and to explicitly disentangle its effect on economic and social outcomes. Although, literature on the subject grew at an exponential rate in the last two decades, the actual definition and measurement are two issues that are yet to be resolved. The concept is still elusive, prone to contextual definition, deficient in commonly accepted indicators, unable to explicitly quantify effects, and subject of severe criticism. Conceptual and measurement imprecision has led it prone to vague interpretation, less empirical application, and underestimation of the importance. Indicating the need for firm definition, Castle (1998) said that unless the social capital concept is used with some degree of precision and in a comparable manner, it will come to have little value as an analytical construct. At the moment, knowledge of social capital in terms of universal definition, various dimensions, functions, and the impact on economic outcomes is inadequate to derive clear policy implications. The foremost challenge ahead is to define the concept explicitly and to find out a simple and commonly agreed upon methodology that can disentangle its effect on development pattern.

Addressing these issues requires more studies, empirical investigations, and testing of the concept in the ground. Further studies and discussions could be helpful to understand the characteristics of social capital, to develop commonly accepted methodology for its measurement, and to establish its practical value in explaining development outcomes. The objective of this article is to provide theoretical insights on basic concept of social capital and its implications on overall development process. Better conceptualisation and operationalisation of social capital theory could be helpful to design more appropriate social policies, invest resources, and promote overall balanced and sustainable development. This paper contributes to the social capital debate through a more systematic review of the concept and through providing various benefits and policy implications of social capital development on overall economic and social transformation.

Defining Social Capital

Social capital is a complex multidimensional concept encompassing repertoire of cultural and social value systems. Recently, it has become a very popular and appealing concept among social scientists. A growing number of sociologists, anthropologists, political scientists, and economists have employed the concept to explain various economic and social outcomes. The fundamental notion of social capital is to incorporate socio-cultural factors to explain development outcomes. It has emerged as a prominent topic of discussion among academics, development specialists, and policymakers. The history of social capital traces a long way back to classical economists, such as Adam Smith and John Stuart Mill, and sociologists, such as Max Weber, who provided the cultural explanation to economic phenomena (Guiso et al., 2006). The concept of social capital as a topical issue, however, came into the spotlight only in late 1980s and attracted growing research interest thereafter. The scientific study of social capital is relatively new, but the growth of literature on the topic is enormous. Despite voluminous literature, there is no single, universal definition of social capital. It is often defined and measured in a pragmatic and unsystematic fashion (van Schaik, 2002). Growing interest and numerous studies in recent years has fine-tuned the concept and measurement approach. Now, at least, there seems to be some agreement on the conceptualisation and major ingredients of social capital. Social capital is an abstract idea rather than a firmly tangible phenomenon. The theory of social capital is particularly rooted on the notion of trusts, norms, and informal networks and it believes that 'social relations are valuable resources'. Social capital is broadly defined to be a multidimensional phenomenon encompassing a stock of social norms, values, beliefs, trusts, obligations, relationships, networks, friends, memberships, civic engagement, information flows, and institutions that foster cooperation and collective actions for mutual benefits and contributes to economic and social development.

The intellectual history of the concept of social capital can be traced back to Karl Marx (1818–1883), Emile Durkheim (1858–1917), Georg Simmel (1858–1918), John Dewey (1859–1952), and Max Weber (1864–1920); these scholars emphasise the role of culture in economic development—an implicit use of the idea of social capital. According to Smith (2007), the concept of 'social capital' was first invoked by Lyda J. Hanifan in 1916 to explain the importance of community participation in enhancing school performance. After long disappearance of the concept, the concept of social capital was reinvented by a team of Canadian sociologists (Seely et al., 1956) while studying urban communities, by Homans (1961) for a theory of social interactions, by Jacobs (1961) while discussing urban life and neighbourliness, and by Loury (1977) for studying income distribution. All of these authors emphasise the value of social networks and need to preserve them. The first systematic exposition of the term and its entry into the academic debates can be attributed to the work of Pierre Bourdieu (1986) and James S. Coleman (1988). However, it was the pioneering work of Robert D. Putnam (1993) that heavily popularised the term among social scientists and attracted the attention of researchers and policymakers. Being a multi-faceted construct, it is hard to expect a single definition of social capital. Different authors defined social capital in different ways reflecting their own interest. The most prominent names while discussing the definition of social capital include Pierre Bourdieu (1986), James Coleman (1988), Robert D. Putnam (1993), Francis Fukuyama (1995), Nan Lin (2001), OECD (2001), and the World Bank (2007). The commonality of most definitions is that they emphasise social relations that generate productive benefits. The main difference between these definitions is that they treat social capital as either personal resources or social resources.

Bourdieu distinguishes between three forms of capital: economic, cultural, and social. He defines social capital as: "... the sum of the actual or potential resources that are linked to the possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition—in other words, to membership in a group" (Bourdieu, 1986: 248). This definition emphasises the importance of social network, i.e., the opportunities and advantages available to members from group membership. Bourdieu considers social capital as a collectively-owned asset endowing members with credits, i.e., individual good. The author focuses on instrumental value of social capital to derive economic and social benefits from group membership and the impetus for individual investment in such membership (Quibria, 2003). The benefits which accrue from membership in a group are the basis of the solidarity which makes them possible. The richness of social capital depends on the size of the network and on the volume of capital (economic or cultural) in these connections' possession. The capital is maintained and reinforced as long as members continue to invest in the relationships. Bourdieu's idea of social capital puts emphasis on class conflicts: it is a personal asset in the competition among individuals aiming to improve their own positions as compared to others. Bourdieu's definition identifies three elements of social capital: (i) the social relationship that enables actors to gain access to resources possesses by their associates (i.e., it is resources embedded in social connections); (ii) the amount of those resources produced by the totality of the relationships between actors, rather than merely a common quality of the group; and (iii) the quality of those resources.

Coleman (1990:302) defines social capital by 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. 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. For Bourdieu and Coleman, social networks are seen as the means by which collective capital can be maintained and reinforced.

Robert Putnam played a prominent role in popularising the concept of social capital. He defines social capital as: "... features of social organisation, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions" (Putnam, 1993: 167). Social capital refers to connections among individuals—social networks and the norms of reciprocity and trustworthiness that arise from them (Putnam, 2000: 18–19). For him, social networks have value and social contacts affect the productivity of individuals and groups. Social capital is closely related to 'civic virtue'. The number of civic associations and degree of participation in those associations indicate the richness of social capital in a society. In that sense social capital is closely related to civic engagement, participation in voluntary organisations and social connections, which fosters sturdy norms of reciprocity and trust. Networks of civic engagement facilitate societal cooperation, coordination, and communication; strengthen reputations; and, thus, allow dilemmas of collective actions to be resolved. Social capital affects the productivity of actors (individuals and groups) and it posses the characteristics of public good. Because of its collective nature, it cannot be transformed into a private good. Stocks of capital (trust, norms, and networks) accumulate in use and diminish if they are not used.

A significant contribution to social capital theory was made by Francis Fukuyama. He offered the more specific but significantly different definition of social capital. He defines social capital in terms of trust as: "... the ability of the people to work together for common purposes in groups and organisations" (Fukuyama, 1995: 10). Alternatively, he defines social capital simply as the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them (Fukuyama, 1995). He contends that interpersonal trust is fundamental for social relationships to emerge. Mutual trust improves the cooperation between individuals, reduces transaction costs, and increases business transactions. Fukuyama emphasises on the qualities in social relationships (interpersonal trust, reciprocity, shared norms and understandings, etc.), which permits people to associate with others, and it helps to develop social capital. Fukuyama's significant contribution to the theory of social capital is that he provided a single, most straightforward means to measure social capital: the proportion of people who think that 'most people can be trusted'. Nevertheless, given the multidimensional nature of social capital, it should be just one, but not the only, indicator of social capital.

Lin (2001: 19) defines social capital as: "... investment in social relations with expected returns in the marketplace." Operationally, Lin defines social capital as the "... resources embedded in social networks accessed and used by actors for actions" (Lin, 2001: 24–25). The concept has two important elements: (i) it represents resources embedded in social relations rather than individuals, and (ii) access and use of such resources reside with actors. The first element implies that social capital can be envisioned as an investment by individuals in interpersonal relationships useful in the market. It is an investment in social connectedness through which resources of other actors can be accessed and borrowed. Lin's concept of social capital has a more individualistic approach. Actors engage in interactions and networking in order to produce benefits. Lin treats social capital as a social asset by virtue of actors' connections and access to resources in the network or group of which they are members.

Robison et al. (2002) defines social capital as: "... a person's or group's sympathy toward another person or group that may produce a potential benefit, advantage, and preferential treatment for another person or group of persons beyond that expected in an exchange relationships." They argue that this definition contains the properties of classical capital and it separates what it is (sympathy) from what it does (potential benefits) and focus on transformative capacity of capital residing (embodied) in human relationships.

Major international organisations, particularly the Organisation for Economic Cooperation and Development (OECD) and the World Bank have adopted their own definition. The OECD (2001: 41) defines social capital as: "... networks together with shared norms, values, and understandings that facilitate cooperation within or among groups." The World Bank takes a broader view and defines social capital as: "... 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" (World Bank, 2007).

Quibria (2003) reviewed different definitions and comments concluding that social capital is an individual asset that comes from access to networks and social connections, whereas others view it as a shared asset that resides in a homogenous collective entity—such as a community with common interests and shared values. Some others have focused on trust and tolerance, while others have focused on the degree of civic and social engagements as the vehicle of such social capital. Still others have highlighted issues of culture and social norms.

Needless to say, adoption of social capital by social scientists from different background has led to the multiple definitions. The variety of definition is not due to lack of understanding about what social capital is, but it is due to various dimensions of social capital. Robison et al. (2002) write that the differences in definition have arisen primarily because scientists have included in the definition expressions of its possible uses, where it resides, and how its service capacity can be changed; which the author argues should not be include in its definition. In his view, social capital can be deconstructed into what it is, where it resides, what it produces (how used), and how it produces. Nevertheless, the basic notion of those definitions falls within the broad framework of Bourdieu who said that, “It’s not what you know but who you know that matters.” There are voluminous literatures discussing definition and measurement of social capital but none of them have come up with firm, non-disputable definition. There is still considerable debate in the academic community about what refers to social capital and what its major components are that makes it representative to all situations. Given its complex nature, it is not surprising to see many definitions and also it is not reasonable to expect a universal definition. Nevertheless, over time, the concept has been fine-tuned and there is commonality on the meaning of social capital.

The set of definitions representing different view broadly agree with the view that the basic foundation of social capital is the social relations that engenders individual and collective benefits. Social capital is a multidimensional construct containing various forms and functions. Encompassing different view, social capital can be regarded as a collective asset in the form of social relations, shared norms, and trust that facilitate cooperation and collective action for mutual benefits. It is a capital asset produced through actor’s investment, endowing investors to use as credits by virtue of connections. Social relations are regarded as an asset of an individual—a resource in the form of information and trust that actors can draw dawn once accumulated. Availability of the capital allows achieving certain goals that would otherwise be impossible in the absence of capital. Social relations vanish if not maintained; reciprocity decline over time; and norms depend on regular communications (Coleman, 1990). This implies that the actor’s investment strengthens and reinforces the capital while disinvestment leads to a decline of the capital. Elements that are crucial to the definition and conceptualisation of social capital can be grouped into three broad categories: social networks (of families, friends, communities, and voluntary associations), norms of reciprocity (shared norms, values, and behaviours), and trust (in other people and institutions). Specifically, social capital involves informal social relations, memberships in social networks and groups, civic engagements (volunteering), community and organisational participation (volunteering), trust in the people and institutions, and norms of reciprocity. It is a collectively-owned resource generated through individuals' shared norms, values, attitudes, and behaviours that produces mainly a positive influence on economic development.

Capital Debate of Social Capital

Bourdieu (1986) first introduced the capital metaphor of social capital by differentiating three different forms of capital—human, cultural, and social. Since then the debate about 'does social capital qualify as capital' is continuing. While some authors argue that social capital does not uphold the main properties of classical capital theory and, hence, does not qualify as capital, others sustain that most properties of social capital resemble to that of classical capital theory and, hence, capitalisation of social capital is appropriate. Knowledge of the classical theory of capital is prerequisite to contributing to the capital debate of social capital. The Marxist theory defines capital as the goods produced when surplus value is appropriated from one class (labour) for the benefit of other (capitalists). Mainstream economists define capital as physical assets (buildings, machines, infrastructure land, etc.) or financial assets (liquid assets, bonds, etc) that have the potential to produce goods and services. Classical capital, in this sense, is a surplus value or commodity that can be used as a factor of production. The fundamental properties of classical capital goods include it is a commodity that is tangible, can be owned, and can be traded in the market. Besides, the capital stock is productive and can be used as investment for future production, generating as a result of investment, durability, and depreciates from both use and non-use (Schmid, 2000; Castle, 2002; Piazza-Georgi, 2002).

Social scientists, mainly sociologists, have redefined the classical theory of capital in terms of neo-capital theories (human capital, cultural capital, institutional capital, and social capital). The neo-capital theories borrow the original macro-level concept of capital from Marxist theory and apply it to individual actors (Lin, 2001). The neo-capital theory argues that every individual can make choices to generate capital and keep it for their own benefit. Application at the individual level and recognition of the value of choice decision of each actor are the two critical elements of neo-capital theory (Lin, 2001). The neo-capital theories recognise the importance of intangible resources embedded in individual actors (qualities of labour and social relations) that have the potential to produce goods and services. The capital metaphor of social capital has a base on neo-capital theory.

Prominent theorists, such as Pierre Bourdieu, James Coleman, and Robert D. Putnam, claim that social capital has similar (although intangible) properties to traditional forms of capital; hence, the term ‘capital’ in social capital has analogous meanings with other forms of capital. Coleman (1990) contends that, like other forms of capital, social capital is productive, making possible the achievements of certain ends that in its absence would not be possible. But, unlike other forms of capital, social capital inheres in the structures of relations between and among actors. It is not lodged either in the actors themselves or in physical implements of production. Putnam (1993) argues that, while physical capital refers to physical objects and human capital refers to properties of individuals, social capital refers to connections among individuals—their social networks, their norms of reciprocity, and the trust that arise from them. OECD (2001) distinguishes social capital from human capital based on three perspectives. First, social capital is embedded in relationships and therefore cannot be considered the exclusive property of any specific individuals; second, it is the product of an investment of time and energy but its benefits can profit individuals that did not participate in its making; and third, it has positive externalities that affect the wider community so that costs and benefits of social relations do not accrue only to the person building relationships, but to every individual that belongs to the group.

Not all social scientists accept the metaphor of capital to describe social relationships. Several authors, primarily economists, have questioned and criticised the capitalisation of social capital (see Baron and Hannon, 1994; Portes, 1998; Arrow, 2000; Solow, 2000; Hofferth et al., 1999; Inkeles, 2000; Schmid, 2000; Fine, 2001; Bowles and Gintis, 2002; Durlauf, 2002; Harriss, 2002; Smith and Kulynych, 2002; Quirbia, 2003; Roberts, 2004; Halpern, 2005). They have criticised the capitalisation of social capital on different grounds. Smith and Kulynych (2002) believe that the meaning of capital is so broad and pervasive that it obscures its distinction and consequently measurement. On the other hand, Inkeles (2000) thinks that use of term ‘capital’ is too narrow and proposes more broad term like social resources. The term ‘community’ would be more appropriate to social capital because it focuses attention on what groups do rather than what people own (Bowles and Gintis, 2002). Social capital is not necessarily the best term, but might just be a ‘social fabric’ (Halpern, 2005). Some authors criticise that social capital is neither social, nor capital (Robison et al., 2002; Roberts, 2004).

Several authors have clearly pointed out the weaknesses of the analogy between physical capital and social capital. Arrow (2000) argues that physical capital has three important characteristics: extension in time, deliberate sacrifice in the present for future benefits, and alienability (transfer of ownership from one person to another). To him, social capital shares only the time dimension aspect with physical capital (for example, trust or reputation take some time to develop); but it does not necessarily require any material sacrifice; in most cases, it is also difficult to transfer the ownership of social capital from one person to another. Further, social networks are maintained to provide other than economic benefits for actors. Conceptually social capital, thus, fails to fulfil the properties of classical capital goods. In this sense, Arrow questions the appropriateness of the term ‘capital’ to represent social relations and he discourages the use of social capital terminology. Solow (2000) raises some measurement problems of social capital and notes that, “... it is an attempt to gain conviction from a bad analogy.” He writes that while physical capital can be measured and rate of return can be readily calculated by past investment net of depreciation, such measurement is not straightforward for social capital. Besides, social capital appreciates with use and traditional models are incapable of explaining the changes of social capital over time. Hofferth et al. (1999) comments that social capital is the product of altruism and, hence, it does not fulfil the basic characteristics of capital—resources built up through investment and that can be drawn upon when needed. To qualify as ‘capital’ an entity must possess an opportunity cost, but this is lacking in social capital (Baron and Hannon, 1994). Social capital is not equally available to all, in much the same way that other forms of capital are differently available. Geographic and social isolation limit access to this resource (Edwards and Foley, 1998).

Many authors criticise social capital in terms of its ownership. One major difference between social capital and other forms of capital is that social capital resides in a social relationship, whereas other forms of capital primarily resides in the individual alone (Robison et al., 2002). Portes (1998) compares features of different forms of capital and comments that while economic capital is in people’s bank accounts and human capital is insides their heads, social capital inheres in the structure of their relationships. You can sell your privately-owned asset, such as land, but you cannot sell your social relations, in which other individuals also have a stake. Social capital is the only form of capital not under any individual's complete ownership (Yang, 2007). Moreover, unlike other forms of capital, actors cannot trade social capital in the market but it is, instead, embedded within a group (Gant et al., 2002; Glaeser et al., 2002). Social capital belongs to each member of a group and requires the actions of all involved to sustain it (Wilson and Chiveralls, 2004). This suggests that the properties of social capital are similar to those of neo-capital theory but not to those of classical capital theory. Economists agree that social capital influences economic outcomes, but whether this influence can be or should be meaningfully coded into a capital metaphor of social capital is a debatable issue (Quirbia, 2003). Given these conceptual and measurement imprecisions, many economists feel reluctant to assign capital metaphor to social capital.

On the other side of the coin, there are large numbers of prominent social scientists who believe that social capital shares many commonalities with other forms of capital and, hence, we can genuinely assign capital metaphor to social capital. The mushrooming of social capital literature in past decade is a case in point. Robison et al. (2002) mentions that physical capital posses properties of transformation capacity, durability, flexibility, substitutability, decay (maintenance), reliability, the ability to create other capital, capacity for investment and disinvestment, and alienability. Social capital shares most, if not all, of these capital-like properties. Castle (1998) describes that capital in any form qualifies as capital only if it makes humans more productive when they use it in combination with other forms of capital. Hofferth et al. (1999) mentions that the outcomes of social capital are capital in nature, because capital is something that is durable; retains its identity even after repeated use; and can be used up, destroyed, maintained and improved. Both structural and cognitive forms of social capital posses capital characteristics because they both require investment of time and effort, not always of money (Grootaert and van Bastelaer, 2002). It may be regarded as a form of capital since it helps to sustain income stream over time although in a much more dissipated manner than more conventional forms of capital that are tied to specific outputs (Ville, 2004).

One of the key properties of capital is that it can be used as a factor of production. Social capital directly enhances the factor productivity and, hence, it can be treated as capital (Dasgupta, 2000). Becker (1996) considers social capital as an intermediate good (commodities) for the production of assets. Sabatini (2006) sustains that an increase in trust-based relations reduces the average cost of transactions, just as an increase in physical capital reduces the average cost of production. Social capital, thus, improves the capabilities of agents and constitutes an input in production processes. Besides, he claims that it is possible to describe social capital as an input of agent's utility and production functions from a rational choice theory perspective. At the aggregate level, social capital may influence the economic performance and the process of development, providing credible explanation for growth differentials among regions with endowments in other forms of capital (Guiso et al., 2004; Sabatini, 2006).

Social capital is a productive resource having varying quantities (stocks and flows) and qualities (trust, reciprocity, norms, social networks, and information channels). It is a productive resource and requires investment (Lin, 2001). It can generate positive externalities for group members who gain competitive advantage in pursuing their ends (Sabatini, 2006). Evans and Syrett (2007) argue that, like other forms of capital, social capital is productive and exists as a stock of resources to which both individuals and groups have access. On the other hand, they point out how social capital is different from other forms of capital: (i) it is intangible and focuses around the social relations; (ii) the stock of social capital deplete if not used, but increase with more use; (iii) a single person cannot own it exclusively; and (iv) its ownership cannot be transferred into another individual. Evans contends that social capital does not require expenditures of scarce material resources in its creation and its stock accumulates with use instead of depreciating.

Some authors criticise social capital because it cannot be appropriated as the exclusive property of single individual. The ownership of social capital is less relevant as it is thought to be a property of a community or region as compared to others indicators, such as level of education, health, and economic wealth (Lin, 2001). Some authors criticise social capital in the sense that it does not depreciate with use. Addressing to this issue, Ostrom (2000) points out that social capital need not depreciate with the way physical capital does. In important instances, making use of social capital increases its stock available for future use. Holding social capital in an analogous form of decay is misleading (Sobel, 2002). He argues that expanding social networks indirectly increases other members' social capital by giving them access to a larger network. Some scholars criticise social capital that investment in social capital does not bring any opportunity costs. Woolcock (1998) responds this comment by saying that while individuals do not invest directly in a commodity social capital, they do often make calculated decisions to join clubs, do favours, and make and maintain relationships with an expectation of future benefits. Such deliberate decisions to increase their social capital bring certain opportunity costs.

Light and Gold (2000) identify two properties namely storability and transformability that are common between social capital and other forms of capital. To him, social capital is the only capital that can be accessed and accumulated by rich and poor alike. This is because investing on it requires only time and energy, but not money. Social capital facilitates transformation of individual capitals into material wealth which is available for rich and poor equally.

Svendsen and Svendsen (2005) believe that social capital shares some common properties of other forms of capital and, hence, it can be regarded as capital. Their argument is that like physical, economic, or human capital, social capital can provide immediate benefits to the individuals (in the form of information or help from friends). We can convert social capital into other forms of capital (get a better job). We can also cultivate social capital in the hope of future benefits, applying strategies modified by cultural codes. However, it is different from other forms of capital in the sense that it cannot be exclusively owned by single individual and it is prevailingly a non-excludable good. Social capital can benefit many actors at the same time (Schmid, 2002).

Lin (2001) defines social capital in relation to neo-capital theories, by separating it from classical capital theory. Lin writes that premise behind the notion of social capital is the investment in social relations with expected returns. People engaged in social networks can derive certain benefits. To Lin, it is the members of the group who make maintenance and reproduction of this social asset possible. Thus, it resembles the features of neo-capital theory.

Above discussion revealed argument for and against the appropriateness of the term capital in social capital. To what extent social capital shares properties of other forms of capital is crucial to consider it as capital. It appears that social capital is different in some properties from other forms of capital, but it shares many common properties of other forms of capital. It exhibits some similar characteristics to other kinds of capital in the sense that it can be put into economic production functions, it is accumulated over time, and it significantly improves economic performance (Fafchamps and Minten, 2002). Social capital is similar to other forms of capital in the sense that it can be invested with expected future returns, is convertible, is appropriable, and requires maintenance. The social relationships can be utilised as an economic resource for the production of goods and services. Thus, social capital does have many properties that qualify it as capital. The capitalisation of social capital is based on sufficient reasoning. It is worth noting that it is the term capital that makes social capital attractive to such a wide range of people bringing together of sociology and economics (Adam and Roncevic, 2003).

Types of Social Capital

Based on different characteristics and functions, literatures have classified social capital into different groups. The most common forms of social capital in literature include structural and cognitive social capital; bonding, bridging, and linking social capital; strong and weak social capital; and horizontal and vertical social capital.

(a) <u>Structural and cognitive social capital:</u> Structural social capital is related to the pattern of social networks and other structures such as associations, clubs, cultural groups, and institutions supplemented by the rules, procedures, and precedents that govern them. Cognitive social capital consists primarily of a set of shared norms, values, attitudes, and beliefs of individuals relating to trust, reciprocity, and cooperation (Uphoff and Wijayaratna, 2000). The objective and externally-observable structural social capital facilitates mutually beneficial collective actions through established roles and durable social networks supplemented by rules, procedures, and precedents (Uphoff, 2000; Hitt et al., 2002). The structural social capital provides certain benefits to actors, like finding a job, obtaining information, or accessing resources (Burt, 1992; Tsai and Ghoshal, 1998). The subjective and intangible cognitive social capital predisposes people towards mutually beneficial collective action through shared values and attitudes (Uphoff, 2000). Putnam (1993) argues that participation in social networks and voluntary organisations forms habits of cooperation, solidarity, and civic-mindedness. Besides, it fosters development and spread of trust. Social capital is, thus, understood both as a structural and a cognitive dimension (Paxton, 2002; Van Oorschot et al., 2006). These structural and cognitive forms are often interconnected and reinforcing (Uphoff and Wijayaratna, 2000). This dual characteristic often creates problems in measuring social capital that focus on one, but not both, dimensions.

(b) Bonding, bridging, and linking social capital: From a social cohesion perspective, recent literature distinguishes social capital into three important forms (Putnam, 2000; Woolcock, 2001). Bonding social capital denotes ties among people who are very close and known to one another, such as immediate family, close friends, and neighbours. Often people in bonding networks are alike on key personal characteristics (e.g., class, race, ethnicity, education, age, religion, gender, and political affiliation). It is more inward-looking, protective, and exercising close membership, and therefore good for under-girding specific reciprocity and mobilising informal solidarity (Van Oorschot et al., 2006). Bonding promotes communication and relationships necessary to pursue common goals. Moreover, it influences creation and nurturing of community organisations, like self-help groups and local association. Bridging social capital refers to more distant ties of like persons, such as loose friendships and workmates. Often people in bridging networks differ on key personal characteristics. Bridging is more outward-looking, civically engaged, narrows the gap between different communities and exercising open membership, and is, therefore, crucial to organising solidarity and pursuing common goals (van Oorschot et al., 2006). Bridging is crucial for solving community problems through helping people to know each other, building relationships, sharing information, and mobilising community resources. Linking social capital refers to ties and networks among individuals and groups who occupy very different social positions and power. It reaches out to unlike people in dissimilar situations, such as those who are entirely outside of the community. Linking social capital may involve networks and ties of a particular community with states or other agencies. These different forms of social capital can serve different functions. Bonding with closely-knit people can act as a social support safety net; bridging ties with people across diverse social divides can provide links to institutions and systems and enables people and communities to leverage a wide range of resources than are available in the community. Bonding generates ingrown and thick trust that is useful for ‘getting by’ in life, as opposed to the bridging of expansive and thin trust that may be useful for ‘getting ahead’ (Anheier and Kendall, 2002; Woolcock, 2001). In practice, social ties may constitute ‘bonding’ in one respect and ‘bridging’ in another. This distinction is helpful to think about different types of social relationships among people in the community and their likely differential outcomes (Field, 2003).

(c) Strong and weak ties: Granovetter (1985) distinguishes social capital according to the strength of social ties. Strong ties refer to close, persistent, and binding relationships, such as those that exist with families and close friend group; weak ties, on the other hand, refers to more causal, temporary, and contingent relationships, such as those that exist with people from different backgrounds and friends from different social niches. Strong ties comes from affection, willingness to help, and great knowledge of each other. Strong ties create great solidarity and offer personal support, whereas weak ties are used more for informational support. Weak ties link people to the broader communities and to a wider range of potential resources (Erickson, 2004). It can serve as channel in mobilising resources, ideas, and information to promote collective actions in the community.

(d) Horizontal and vertical networks: Social capital is also distinguished between horizontal and vertical networks (Woolcock and Narayan, 2000). Horizontal social capital refers to lateral ties between people of similar status and power in a community, vertical social capital on the other hand refers to ties between people of different hierarchy and unequal power among people. While horizontal social capital operates through shared norms and values, vertical social capital operates through formal hierarchical structures. Similar to bonding and bridging, horizontal social capital encompasses diverse group of people and it serves to establish connection and a common goal among community members through civic engagement. Similar to linking, vertical social capital establishes link of citizens to community leaders and decision makers, and creates environment for social change through laws and policies.

The literature also identify several other types of social capital. For example, formal (membership in clubs, social groups, and organisations) and informal (informal social connection with extended family, friends, neighbours, and workmates) (Pichler and Wallace, 2007); and open (civically-engaged and open membership) and closed (protective and exercising closed membership) (Heffron, 2000). These different types, characteristics and functions of social capital reveal some of the ways in which social capital differs. A thorough insight on these varieties of forms of social capital is helpful in better conceptualisation and measurement of social capital. These several forms of social capital also suggest that social capital can be operationalised and measured in variety of ways.

Level of Analysis for Social Capital

Social capital is believed to exist at different hierarchy in the society. As a result, it can be measured and analysed at different levels. From the levels of analysis perspective, existing literatures on social capital can be classified into two groups: (a) individual and collective levels and (b) micro-, meso-, and macro-levels.

(a) Individual and collective levels: There are divergent views regarding whether social capital is an attribute of an individual (individual good) or an attribute of a community (collective good). Some authors conceive social capital at the individual level, whereas others conceive it at the society level[1]. Kilby (2002) writes that social capital exists within levels or scales as one feels belonging to family, community, country, etc. simultaneously. Contemplating similar views, Adler and Kwon (2002) argue that sources of social capital lie in the social structure within which the actor is located. Social capital, thus, has both an individual and an aggregate component (Slangen et al., 2004). The foundation of social capital lies in the group, but it can be used by the group as a whole or individuals within the group (Sander, 2002). Bourdieu (1986) views social capital at the individual level and Coleman (1990) views social capital as the element of social structure but he conceptualises social capital at the individual level. Putnam (1993) and Fukuyama (1995) brought the macro and collective action notion of social capital and viewed social capital at the collective level. Recent literature largely views social capital as a societal level attribute, rather than an individual level attribute (Newton, 2001; Glaeser et al., 2002). Nevertheless, the general consensus is that social capital is an attribute of both an individual and a society.

Proponents of individual social capital (for example, Bourdieu, 1986; Becker, 1996; Lin, 2001; Flap, 2002; Glaeser et al., 2002; Erickson, 2004; Yang, 2007) view social capital largely as an attribute of an individual. Individual social capital refers to a person's potential to activate and effectively mobilise a network of social connections based on mutual recognition and maintained by symbolic and material exchanges (Bourdieu, 1986). The basic premise behind the individual level capital is that it is an

[1] See http://www.gnudung.com/literatures/levels.html for further details.

individual who creates, maintains, and subsequently gains advantage from social capital. Moreover, the individual is the natural unit of observation and measurement of social capital. According to Yang (2007), the soundness of individualising social capital comes from the premise that it is individuals who employ social capital as a means for achieving an end. To him, individual social capital emphasises the active roles of individuals, rather than the constraining effects of social structures. Glaeser et al. (2002) identify three dimensions of individual social capital: (i) it is an individual asset; (ii) some aspects of this asset are intrinsic to an individual and some can be augmented by individual actions; and (iii) it can be purposefully used to augment one's market and non-market position. The extent to which an individual has access to resources through social capital depends on the person's connections, the strength of these connections, and the resources available to these connections (Sobel, 2002). A person's ability to activate and effectively mobilise social networks largely affects the generation of social capital. Social capital, thus, represents an additional pool of resources for the individual, which an actor can accumulate and use for his personal goal attainment (OECD, 2002). In this context, social capital has the properties of the private good—personal goal attainment.

Proponents of collective social capital (for example, Granovetter, 1985; Putnam, 1993; Fukuyama, 1995; Newton, 2001; Bowles and Gintis, 2002; Van der Gaag and Snijders, 2003) believe that social capital has not only an individual aspect, but also a community aspect and define it mostly an attribute of a society. As an attribute of a society, social capital refers to a quality of networks and relationship that enables individuals to cooperate and act collectively (Putnam, 1993). Collective social capital emphasises social capital as a collectively-produced and -owned good, from which the whole community could benefit. It is looked at primarily in terms of its benefits to society rather than the individual. It is seen as a macro-level good—a property of a group, a community, or a nation as a whole. The premise behind the collective social capital is that since social relations require two or more individuals to exist, it is not an individual level capital. It resides between actors, as opposed to single actor and provides benefits to all actors—individual and collective. Collective capital, thus, represents some aggregation of valued resources of members interacting in networks. This means it cannot only be treated as a characteristic of individuals and their relations, but also as property of countries and regions (Van Oorschot et al., 2006). On the collective level, social capital is often taken to be represented by norms, trust, and social cohesion. It is the quality of networks and relationships (trust, norms, rule of law, etc.) that fosters cooperation and collective action of individuals. In this sense, social capital has the properties of a public good facilitating achievement of higher levels of efficiency and productivity (OECD, 2002).

Social networks and social participation can be considered to be measuring individual level attributes, while trust and shared norms are more closely related to societal level attributes. In this sense, social capital consists of both individual and collective goods, whereby institutionalised social relations with embedded resources can benefit both the society and the individuals in the society (Portes, 1998; Lin, 2001; Paxton, 2002). While it is true that social capital exists because of the connections between actors and not within the actors themselves, it is in fact the actor who accrues benefits from networking—possibly the whole network (Svendsen and Svendsen, 2005). Normally, both individuals and groups can obtain future gains from investment in social capital (Svendsen and Svendsen, 2005). Therefore, measurement of social capital involves phenomena on both the individual and community levels. Some authors conceptualise individual and collective social capital in terms of private and public good (see Aldridge et al., 2002).

(b) Micro- meso-, and macro-level: Some authors generalise the individual and collective level social capital approach and analyse social capital at multiple levels: micro, meso, and macro (Turner, 2000; Chen, 2005). Social capital, at the micro level, looks at relationships between individuals, households, and neighbourhoods; at the meso level, it focuses on communities, groups, institutions, and organisations; and at the macro level, it focuses on the forms of institutional and political environment in nations or states (Bourdieu, 1986; Grootaert and van Bastelaert, 2001). This means that the micro level refers to relations between individuals, the meso level refers to relations between groups or firms, and the macro level refers to relations between regions or nations. Halpern (2005) distinguishes micro, meso, and macro social capital as the social relations among people at the individual, community, and societal levels, respectively. While the micro level looks at social capital as an individual asset and the macro level looks at social capital as a collective asset; the meso levels looks at social capital as an individual asset, as well as a collective asset.

Micro social capital involves norms, values, and networks of horizontal relationships among individuals, households and neighbours, and which facilitate interactions among these actors. Meso social capital involves networks of vertical relationships and networks of associations that facilitate interactions among groups, communities, firms, and NGOs. Macro social capital involves the formalised institutional relationships and structures that govern the political regime, civil society, the rule of law, and government (Hopkins, 2002; Bjornskov and Svendsen, 2003). This means, the micro-approach emphasises the nature and forms of cooperative behaviour; the macro-approach focuses on the conditions (favourable or unfavourable) for cooperation; and the meso-approach highlights structures that enable cooperation to take place (PRI, 2005). The Policy Research Initiative (PRI) argues that the micro-approach focuses on the value of collective action, the meso-approach focuses on the structure that enables cooperation, and the macro-approach focuses on the value of integration and social cohesion. This implies that social capital can be measured and analysed at various levels. Basically, this hierarchical distinction of social capital is a combination of cognitive (micro), structural (meso), and institutional (macro) aspects of social capital. Social capital, thus, operates, either individually or collectively, at various levels and each level produces different outcomes and has different implications for public policy.

Conclusion

Social structures, cultural norms and values, and institutions affect economic behaviour through multiple direct and indirect channels and, hence, they are critical in understanding sustainable economic development. Successful explanation of economic development, thus, has to transcend beyond narrow measures of mere income growth to encompass social, cultural, and political variables. In the past, mainstream economic models focused primarily on standard factors of production and they largely ignored the socio-cultural dimensions. As a result economic development ended up with low welfare improvement and high social problems; economic models also proved to be deficient in explaining development outcomes fully. This led to re-orientation of development approach placing emphasis on social norms, values, beliefs, and institutions. As a result human capital, institutions, and currently social capital became important elements of economic models. The role of social capital in overall development process came into light in 1990s and its importance in explaining economic and social phenomena has been increasing felt thereafter. Social scientists have been using the concept as an important determinant of economic behaviour. The interest on social capital is overwhelming and the literature on theoretical and empirical aspects of social capital grew significantly during the last decade.

The idea of social capital can be traced long back but its entry into academic and policy debates can be credited to the pioneering work of Pierre Bourdieu (1986), James Coleman (1988) and Robert Putnam (1993). Broadly, social capital can be 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. Social capital is a complex multidimensional concept having various dimensions, types, levels and determinants, and varieties of definitions exist depending on the discipline and interest. Nevertheless, most definitions emphasise the role of social relations in generating benefits for individual and society as a whole. The critical elements of social capital include social networks (families, friends, communities, and voluntary associations), norms of reciprocity (shared norms, values, and behaviours), and trust (people and institutions). It is collectively-owned capital generated through individuals' shared norms, values, attitudes, and behaviours that positively benefits economic development. The most common forms of social capital include structural and cognitive social capital; bridging, bonding, and linking social capital; strong and weak ties; and horizontal and vertical social capital. Social capital can be measured at individual and collective level as well as at the micro-, meso-, and macro-levels. These different forms and level of analysis suggest that social capital can be defined, operationalised, and measured in different ways.

The use of term 'capital' in social capital is a highly controversial issue. Some economists criticise the capitalisation of social capital in the sense that it lacks many of the basic properties of classical capital and, hence, it does not qualify as capital. On the other hand, many social scientists argue that although social capital lacks some basic properties of classical capital, it shares many important properties of classical capital and, hence, it qualifies as capital. It can be argued that the properties of social capital, such as it can be put into production function, can accumulate over time, is capable of improving economic performance, can be invested with expected future returns, is convertible, is appropriable, and requires maintenance; this makes it qualify as one form of capital. The social relationships can be used as an economic resource for the production of goods and services. Given the high significance of social capital in explaining economic and social phenomena, it is of less value to spend resources on ‘capital’ debate.

References

Adam, F. and Roncevic, B. (2003) “Social Capital: Recent Debates and Research Trends”. *Social Science Information* 42(2): 155–183.

Adler, P. S. and Seok-Woo Kwon (2002) “Social Capital: Prospects for a New Concept”. *Academy of Management Review* 27(1): 17–40.

Aldridge, S., Halpern, D. and Fitzpatrick, S. (2002) “Social Capital”. Performance and Evaluation Unit Discussion Paper. London: Cabinet Office. Available at: http://www.strategy.gov.uk/ down- loads/seminars social-capital/ social capital.pdf.

Anheier, H. and Kendall, J. (2002) “Interpersonal Trust and Voluntary Associations”. *British Journal of Sociology* 53: 343–362.

Arrow, K. (2000) “Observations on Social Capital” in Dasgupta, P. and Serageldin, I. (eds.) *Social Capital: A Multifaceted Perspective*. Washington, D.C.: The World Bank.

Baron, J. and Hannon, M. (1994) “The Impact of Economics on Contemporary Sociology”. *Journal of Economic Literature* 32(3): 1111–1146.

Barro, R. J. (1997) *Determinants of Economic Growth: A Cross-Country Empirical Study*. Cambridge, MA: The MIT Press.

Barro, R. J. and McCleary, R. M. (2002) “Religion and Political Economy in an International Panel.” National Bureau of Economic Research (NBER) Working Paper No. W8931. Cambridge, MA: Harvard University. Available at: http://ssrn.com/abstract= 312644.

Becker, G. S. (1996) *Accounting for Tastes*. Cambridge, MA: Harvard University Press.

Ben-Ner, A. and Putterman, L. (1997) “Values and Institutions in Economic Analysis”. Department of Economics Working Paper No. 97/4. Providence, RI: Brown University.

Beugelsdijk, S. (2003) “Culture and Economic Development in Europe.” Ph.D. dissertation. Tilburg University.

Bilig, M. S. (2000) “Institutions and Culture: Neo-Weberian Economic Anthropology”. *Journal of Economic Issues* 34(4): 771–778.

Bjornskov, C. and Svendsen, G. T. (2003) “Measuring Social Capital: Is there a Single Underlying Explanation”. Department of Economics Working Paper No. 03/05. Aarhus, Prismet: Aarhus School of Business.

Bourdieu, P. (1986) “The Forms of Capital” in Richardson, J. G. (ed.) *Handbook of theory and research for the sociology of education*. New York: Greenwood Press, Pp. 241–258.

Bowles, S. and Gintis, H. (2002) “Social Capital and Community Governance”. *The Economic Journal* 112: 419–436.

Burt, R. S. (1992) *Structural Holes: The Social Structure of Competition*. Cambridge, MA: Harvard University Press.

Carpenter, J. P., Daniere, A. G. and Takahashi, L. M. (2004) “Cooperation, Trust, and Social Capital in Southeast Asian Urban Slums”. *Journal of Economic Behavior and Organization* 55 (4): 533–551.

Castle, E. N. (1998) “A Conceptual Framework for the Study of Rural Places”. *American Journal of Agricultural Economics* 80: 621–631.

——— (2002) “Social Capital: An Interdisciplinary Concept”. *Rural Sociology* 67: 331–349.

Chen, X. (2005) “Magic Or Myth? Social Capital and its Consequences in the Asian, Chinese, and Vietnamese Contexts”, in Mutz, G. and Klump, R. (eds.) *Modernization and Social Transformation in Vietnam: Social Capital Formation and Institutional Building*. Hamburg: Institut für Asienkunde.

Christoforou, A. (2005) “On the Determinants of Social Capital in Greece Compared to Countries of the European Union”. Fondazione Eni Enrico Mattei (FEEM) Working Paper No. 05/68. Milan: FEEM.

Chuah, S. H., Hoffmann, R., Jones, M. and Williams, G. (2005) “An Economic Anatomy of Culture: Attitudes and Behavior in inter- and intra-National Ultimatum Game Experiments.” Centre for Decision Research and Experimental Economics (CeDEx) Discussion Paper no. 2005/11. Nottingham: University of Nottingham.

Coleman, J. S. (1988) “Social Capital in the Creation of Human Capital”. *American Journal of Sociology Supplementary* 94: 95–120.

——— (1990) *Foundations of Social Theory*. Cambridge, MA: Harvard University Press.

Dasgupta, P. (2000) “Economic Progress and the Idea of Social Capital”, in Dasgupta, P. and Serageldin, I. (eds.) *Social Capital: A Multifaceted Perspective*. Washington, D.C.: The World Bank, Pp. 325–424.

Durlauf, S. N. (2002) “On the Empirics of Social Capital”. *Economic Journal* 112(483): 459–479.

Easterly, W. and Levine, R. (2001) “It is not Factor Accumulation: Stylized Facts and Growth Models”. *World Bank Economic Review* (2001): 177–219.

Edwards, B. and Foley, M. W. (1998) “Civil Society and Social Capital Beyond Putnam”. *American Behavioural Scientist* 42: 124–139.

Erickson, B. H. (2004) “The Distribution of Gendered Social Capital in Canada”, in Flap, H. and Volker, B. (eds.) *Creation And Returns Of Social Capital*. London: Routledge, Pp 27–50.

Evans, M. and Syrett, S. (2007) “Generating Social Capital”. *European Urban and Regional Studies* 14(1): 55–74.

Fafchamps, M. and Minten, B. (2002) “Returns to Social Network Capital among Traders”. *Oxford Economic Papers* 54:173–206.

Field, J. (2003) *Social Capital*. New York: Routledge.

Fine, B. (2001) *Social Capital versus Social Theory: Political Economy and Social Science at the Turn of the Millennium*. London: Routledge.

Flap, H. (2002) “No Man is an Island”, in Favereau, O. and Lazega, E. (eds.) *Conventions and Structures in Economic Organization: Markets, Networks and Hierarchies*. London: Edward Elgar, Pp. 29–59.

Fukuyama, F. (1995) *Trust: The Social Virtues and the Creation of Prosperity*. New York: Free Press.

——— (2001) “Culture and Economic Development: Cultural Concerns”, in Smelser, N. J. and Baltes, P. B. (eds) *International Encyclopedia of the Social and Behavioral Sciences*. Oxford, UK: Pergamon, Pp. 3130–3134.

Gant, J., Ichniowski, C. and Shaw, K. (2002) “Social Capital and Organizational Change in High-Involvement and Traditional Work Organizations”. *Journal of Economics and Management* 11: 289–328.

Glaeser, E. L., Laibson, D. I. and Sacerdote, B. (2002) “An Economic Approach to Social Capital”. *The Economic Journal* 112: 437–458.

Gradstein, M. and Justman, M. (2002) “Education, Social Cohesion, and Economic Growth”. *The American Economic Review* 92(4): 1192–1204.

Granovetter, M. S. (1985) “Economic Action and Social Structure: The Problem of Embeddedness”. *American Journal of Sociology* 91: 481–510.

Grootaert, C. and van Bastelaer, T. (2001) “Understanding and Measuring Social Capital: A Synthesis of Findings and Recommendations from the Social Capital Initiative”. Social Capital Initiative (SCI) Working Paper No. 24. Washington, D.C.: The World Bank.

——— (eds.) (2002) *The Role of Social Capital in Development: An Empirical Assessment.* New York: Cambridge University Press.

Guiso, L., Sapienza, P. and Zingales, L. (2004) “The Role of Social Capital in Financial Development”. CRSP Working Paper No. 511. Chicago: University of Chicago.

——— (2006) “Does Culture Affect Economic Outcomes?” *The Journal of Economic Perspectives* 202: 23–48.

Halpern, D. (2005) *Social Capital.* Cambridge: Polity Press.

Harper, R. (2002) “The Measurement of Social Capital in the UK”. Paper prepared for the OECD-ONS conference on Social Capital Measurement, London, 26-27 September 2002.

Harrison, L. E. and Huntington, S. P. (eds.) (2000) *Culture Matters*. New York: Basic Books.

Harriss, J. (2002) *Depoliticizing Development: The World Bank and Social Capital*. London: Anthem Press.

Heffron, J. M. (2000) “Beyond Community and Society: The Externalities of Social Capital Building”. *Policy Sciences* 33: 477–494.

Hitt, M. A., Ho-Uk Lee and Yucel, E. (2002) “The Importance of Social Capital to the Management of Multinational Enterprises: Relational Networks among Asian and Western Firms”. *Asia Pacific Journal of Management* 19(2-3): 353–372.

Hjerppe, R. (2003) “Social Capital and Economic Growth Revisited”. Valtion Taloudellinen Tutkimuskeskus (VATT) Discussion Paper No. 307. Helsinki: Government Institute for Economic Research.

Hofferth, S. L., Boisjoly, J. and Duncan, G. J. (1999) “The Development of Social Capital”. *Rationality and Society* 11: 79–110.

Homans, G. (1961) *Social Behavior: Its Elementary Forms*. New York: Harcourt, Brace and World.

Hombres, B., Rocco, L., Suhrcke, M. and McKee, M. (2006) *Does Social Capital Determine Health? Evidence from Eight Transition Countries*. Rome: Institute for the Protection and Security of the Citizen.

Hopkins, L. (2002) "What Is Social Capital?" Institute for Social Research (ISR) Working Paper No. 2. University of Michigan, Michigan: Institute of Social Research. Available at: http://www.sisr.net/publications/workingpapers/No2_LH_final.PDF.

Huntington, S. P. (1998) *The Clash of Civilizations and the Remaking of World Order*. Carmichael, CA: Touchstone Books.

Iisakka, L. and Alanen, A. (2006) "Social Capital in Finland: Domestic and International Background" in Iisakka, L. (ed.) *Social Capital in Finland: Statistical Review*. Helsinki: Statistics Finland.

Inglehart, R. (1997) *Modernization and Postmodernization: Cultural, Economic, and Political Change in 43 Societies*. Princeton, NJ: Princeton University Press.

Inglehart, R. and Baker, W. E. (2000) "Modernization, Cultural Change, and the Persistence of Traditional Values". *American Sociological Review* 65(1): 19–21.

Inkeles, A. (2000) "Measuring Social Capital and is Consequences". *Policy Sciences* 33: 245–268.

Jacobs, J. (1961) *The Life and Death of Great American Cities*. New York: Random House.

Johari, M. Y. Hj (1989) "Social Development, Social Change and Development Planning in Sabah" in Johari, M. Y. (ed.) *Socio-Cultural Dimension Of Development Planning*. Proceedings of a seminar held at Kundasang, Ranau, Sabah. 30 March - 1 April 1987. Sabah, Kota Kinabalu: Institute for Development Studies (SABAH), Pp. 25–48.

Kilby, P. (2002) *Social Capital and Civil Society*. Canberra: ANU.

Knack, S. and Keefer, P. (1997) "Does Social Capital Have An Economic Payoff? A Cross-Country Investigation". *Quarterly Journal of Economics* 112 (4): 1251–1288.

Landes, D. S. (2000) "Culture Makes all the Difference" in Harrison, L. E. and Huntington, S. P. (eds.) *Culture Matters*. New York: Basic Books, Pp. 2–13.

Light, I. and Gold, S. J. (2000) *Ethnic Economies*. San Diego, CA: Academic Press.

Lin, N. (2001) *Social Capital: A Theory of Social Structure and Action*. Cambridge: Cambridge University Press.

Loury, G. (1977) “A Dynamic Theory of Racial Income Differences” in Wallace, P. A. and LaMond, A. (ed.) *Women, minorities, and employment discrimination*. Lexington, MA: Lexington Books.

Lucas, R. E. (1976) “Econometric Policy Evaluation: A Critique” in Brunner, K. M. (ed.) *The Phillips Curve and Labor Markets, Vol. 1 of Carnegie Rochester Conference Series on Public Policy*. Amsterdam, The Netherlands: North-Holland.

Newton, K. (2001) “Trust, Social Capital, Civil Society, and Democracy”. *International Political Science Review* 22: 201–214.

OECD (2001) *The Well-Being of Nations: The Role of Human and Social Capital*. Paris: Office of Economic Cooperation and Development (OECD).

——— (2002) *Social Capital: The Challenge of International Measurement*. Paris (France): OECD. Available at: http://www.oecd.org/ dataoecd/2/47/2380584.pdf.

Ostrom, E. (2000) “Social Capital: A Fad or a Fundamental Concept?” in Dasgupta, P. and Serageldin, I. (eds.) *Social Capital: A Multifaceted Perspective*. Washington, D.C.: The World Bank, Pp. 172–215.

Paxton, P. (2002) “Social Capital and Democracy: An Interdependent Relationship”. *American Sociological Review* 67(2): 254–277.

Piazza-Georgi, B. (2002) “The Role of Human and Social Capital in Growth: Extending Our Understanding”. *Cambridge Journal of Economics* 26: 461–479.

Pichler, F. and Wallace, C. (2007) “Patterns of Formal and Informal Social Capital in Europe”. *European Sociological Review* 23(4).

Ponthieux, S. (2004) “The Concept of Social Capital: A Critical Review”. Paper presented at the 10th Association de comptabilité nationale conference on National Accounting, Paris, 21-23 January 2004.

Portes, A. (1998) “Social Capital: Its Origin and Applications in Modern Sociology”. *Annual Review of Sociology* 24: 1–24.

PRI (2005) “Social Capital as a Public Policy Tool”. PRI Project report. Toronto: Policy Research Initiative (PRI).

Productivity Commission (2003) “Social Capital: Reviewing the Concept and its Policy Implications”. Research Paper. Canberra: AusInfo.

Pryor, F. L. (2005) “National Values and Economic Growth”. *American Journal of Economics and Sociology* 64(2): 451–482.

Putnam, R. (1993) *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, NJ: Princeton University Press.

——— (2000) *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon and Schuster.

Quibria, M. G. (2003) “The Puzzle of Social Capital: A Critical Review.” ERD Working paper No. 40. Manila: Asian Development Bank.

Roberts, J. M. (2004) “What’s Social about Social Capital?” *British Journal of Political and International Relations* 6: 471–493.

Robison, L. J., Schmid, A. A. and Siles, M. E. (2002) “Is Social Capital Really Capital?” *Review of Social Economy* 601: 1–21.

Rodrik, D. (1998) “Where Did All the Growth Go? External Shocks, Social Conflicts, and Growth Collapses”. NBER Working Paper No. 6350. Cambridge, MA: National Bureau of Economic Research.

Sabatini, F. (2006) “The Empirics of Social Capital and Economic Development: A Critical Perspective”. Fondazione Eni Enrico Mattei FEEM) Working Paper 2006/15. Milan: Eni Enrico Mattei Foundation.

Sander, T. H. (2002) “Social Capital and New Urbanism: Leading a Civic Horse to Water”. *National Civic Review* 91: 213–221.

Schmid, A. A. (2000) “Sources of Social Capital”. Department of Agricultural Economics Staff Paper No. 00/07. Michigan: Michigan State University.

——— (2002) “Using Motive to Distinguish Social Capital from its Outputs”. *Journal of Economic Issues* 36: 747–768.

Seely, J., Sim, A. and Loosely, E. (1956) *Crestwood Heights: A Study of the Culture of Suburban Life*. New York: Basic Books.

Sen, A. (1999) *Development as Freedom*. Oxford: Oxford University Press.

Slangen, L. H. G., van Kooten, G. C. and Suchanek, P. (2004) “Institutions, Social Capital and Agricultural Change in Central and Eastern Europe”. *Journal of Rural Studies* 20(2): 245–256.

Smith, M. K. (2007) “Social capital, the encyclopedia of informal education”. Available at: www.infed.org/biblio/social_capital.htm.

Smith, S. S. and Kulynych, J. (2002) “It may be Social but why is it Capital? The social construction of social capital and the politics of language”. *Politics and Society* 30:149–186.

Sobel, J. (2002) “Can We Trust Social Capital?” *Journal of Economic Literature* 40(1): 139–154.

Solow, R. M. (2000) “Notes on Social Capital and Economic Performance”, in Dasgupta, P. and Serageldin, I. (eds.) *Social Capital: A Multifaceted Perspective*. Washington, D.C.: The World Bank.

Svendsen, G. L. H. and Svendsen, G. T. (2005) *The Creation and Destruction of Social Capital: Entrepreneurship, Cooperative Movements, and Institutions.* Cheltenham: Edward Elgar.

Tabellini, G. (2005) “Culture and Institutions: Economic Development in the Regions of Europe.” Center for Economic Studies and Ifo Institute for Economic Research (CESifo) Working Paper Series No. 1492. Munich: Bocconi University.

Temple, J. (2001) “Growth Effects of Education and Social Capital in the OECD Countries” in Helliwell, J. F. (ed.) *The Contribution of Human and Social Capital to Sustained Economic Growth and Well-Being.* Proceedings of OECD/HRDC Conference, Quebec, 19-21 March 2000. Ottawa: HRDC.

Todaro, M. (2000) *Economic Development*. London (UK): Addison-Wisley Longman, Inc.

Tsai, W. and Ghoshal, S. (1998) “Social Capital and Value Creation: The Role of Intra-Firm Networks”. *Academy of Management Journal* 41(4): 464–476.

Turner, J. H. (2000) “The Formation of Social Capital”, in Dasgupta, P. and Serageldin, I. (eds.) *Social Capital: A Multifaceted Perspective*. Washington, D.C.: The World Bank, Pp. 94–146.

UNESCO (United Nations Educational, Scientific and Cultural Organization) (2002) *Social Capital and Poverty Reduction. Which roles for the society organizations and the state?* Paris (France): UNESCO.

Uphoff, N. (2000) “Understanding Social Capital: Learning from the Analysis and Experience of Participation” in Dasgupta, P. and Serageldin, I. (eds.) *Social Capital: A Multifaceted Perspective*. Washington, D.C.: The World Bank.

Uphoff, N. and Wijayaratna, C. M. (2000) “Demonstrated Benefits from Social Capital: The Productivity of Farmer Organizations in Gal Oya, Sri Lanka”. *World Development* 28: 1875–1890.

Van der Gaag, M. P. J. and Snijders, T. A. B. (2003) “A Comparison of Measures for Individual Social Capital”. Paper presented at the conference on Creation and Returns Of Social Capital, 30–31 October 2003, Amsterdam, The Netherlands.

Van Oorschot, W., Arts, W. and Gelissen, J. (2006) “Social Capital in Europe. Measurement and Social and Regional Distribution of a Multifaceted Phenomenon”. *Acta Sociologica: Journal of the Nordic Sociological Association: Special Issue on Social Capital* 49(2): 149–166.

Van Schaik, T. (2002) “Social Capital in the European Value Study Surveys”. Country paper prepared for the OECD-ONS international conference on Social Capital Measurement, London, 25-27 September 2002. Tilburg: Tilburg University.

Ville, S. (2004) “Social Capital: An Insight Revealed Or A Concept Too Many?” Economics Working Papers WP 04/05, School of Economics and Information Systems. Wollongong, NSW: University of Wollongong.

Welzel, C., Inglehart, R. and Deutsch, F. (2005) “Social Capital, Voluntary Associations, and Collective Action: Which Aspects of Social Capital Have the Greatest Civic Payoff?” *Journal of Civil Society* 1(2): 1–26.

Wilson, L. J. and Chiveralls, K. R. (2004) “Labor and Social Capital: Disengaging From Social Justice.” Conference paper. Adelaide: The University of Adelaide. Available at: http://hdl.handle.net/2440/28930.

Woolcock, M. (1998) “Social Capital and Economic Development: Toward a Theoretical Synthesis and Policy Framework”. *Theory and Society* 27(2): 151–208.

——— (2001) “The Place of Social Capital in Understanding Social and Economic Outcomes”. *Canadian Journal of Policy Research* 2(1): 1–17.

Woolcock, M. and Narayan, D. (2000) “Social Capital: Implications for Development Theory, Research, and Policy”. *The World Bank Research Observer* 15(2): 225–249.

World Bank (2007) “Social Capital for Development”. Available at: http://www1.worldbank.org/prem/poverty/scapital/.

Yang, K. (2007) “Individual Social Capital and Its Measurement in Social Surveys”. *Survey Research Methods* 1(1): 19–27.

Zak, P. J. and Knack, S. (2001) “Trust and Growth”. *The Economic Journal* 111: 295–321.