The role of social capital in endogenous development

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1. Introduction
The conventional theories and models of development are predominantly economic and technological in nature. They emphasize economic progress, modernization and industrialization, but do not sufficiently take into consideration the local socio-cultural and natural situation. Endogenous development is considered as an effective approach to counter the problems that have arisen from the Western paradigm of development. Advocacy for endogenous development has been broadened by the LEADER program in the EU (Barke and Newton, 1997) and the COMPAS program in South America, Asia, Africa and Europe (Havercort, 2000).

Economists and development workers are increasingly paying attention to the role of social capital in sustainable socioeconomic development and poverty alleviation. The revival of interest in social capital has been triggered by the intuitively appealing work of Coleman (1988, 1990) and Putnam (1993). Although there is considerable literature on the importance of social capital in many different domains, descriptions of the importance and conceptual framework of the role of social capital in endogenous development is rare. The aims of this paper are: (i) to incorporate the concept of social capital into the theory of endogenous development, and, (ii) to build up an exploratory framework to clarify the process of endogenous development in relation to social capital.

2. Evolution of endogenous development theory and its weak points
The idea of endogenous development can be traced to the work of the Dag Hammarskjöld Foundation (1975) and Tsurumi (1976). It is the antithesis of exogenous development, and is more or less synonymous with the “bottom-up”, “grassroots” or “participatory” approach for socioeconomic development of the lagging area. Endogenous development is useful to recover the failure of the market and the government, and to avoid the free-rider problem of public goods. Ray (1999) points to the main features of endogenous development as: (i) a territorial basis; (ii) the use of local resources and retention of benefits, and; (iii) local contextualization through active public participation.

In Japan, Miyamoto (1989) has applied the concept of endogenous development to the analysis of regional economy. Against the pollution problem caused by coastal industrial areas, he stressed the importance of indigenous culture and technology-based development, ecological sustainability, and development across industries. His work influenced the study of lagging areas in Japan. Hobo (1996), Moritomo (2000) and a number of researchers tried to examine the strategy for revitalizing the areas by endogenous development theory. However, others have criticized the theory for overlooking the dynamic development process (Nakamura, 2000; Hamaguchi, 2004).

Using the framework of social education, Suzuki (1998) shows an evolutionary model of endogenous development. He suggests that local people initially recognize their own problems to be solved individually. The process should be encouraged by “informal education.” Following this stage, the local people begin to identify common problems in groups. “Nonformal education” is useful for them to define possible solutions to their common problems through discussions and to work towards coordinated activities for solving the problems and achieving greater benefits. Although Suzuki’s model is based on a theory of
process-oriented endogenous development, its scope for application is quite limited, since it is only based on social education. In the process of endogenous development, facilitators or organizers are not only restricted to the teachers and other staff belonging to educational institutions.

Kitou (1998) stresses the role of outsiders in the local community and calls them “yose mono”; they intend not to educate local people but instead to promote their collective action. Tsurumi (1976) earlier identified their importance and called them “hyouhaku sha”. Outsiders, like designers, copywriters or academic researchers, also inspire local people to organize themselves (Iiguni, 1997; 2002). In order to link the local community with the external actors in a process-oriented endogenous development, new thinking and broader concepts are necessary. In the following sections, a formative framework based on a concept of social capital is presented.

3. Different perspectives of social capital

The terminology of social capital was first introduced by Lyda J. Hanifan (1916). Since then, social capital has been used in various literature. However, the term was popularized in the work of James C. Coleman (1988, 1990) and Robert D. Putnam (1993). According to Putnam (1993), "social capital refers to features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions". The World Bank (1999) recognizes that "social capital refers to the institutions, relationships and norms that shape the quality and quantity of a society’s social interactions... Social capital is not just the sum of the institutions which underpin a society; it is the glue that holds them together".

Despite the above widely cited definitions, there is no universally accepted definition of social capital. The wide and multidimensional use of social capital by researchers from different fields made it difficult to generalize the concept. There is also a strong debate on whether it is a property of individuals, groups or the public.

We believe social capital to be a property of both individuals and the collective. At an individual level, it is a small capital and therefore cannot work effectively. It becomes a huge property when the small capital held by individuals is gathered together for a collective action and serves greater benefits to individuals as well as members of cooperatives. In general, the usefulness of social capital progressively increases as more and more people are positively embedded in the same network.

4. Conceptualization of the role of social capital in endogenous development

Collective action of the local people is the prerequisite for endogenous development. The behavior of individual rationalism needs to be converted to the behavior of collectivity and reciprocity for a participatory approach such as endogenous development. This conversion takes place when social capital is properly and adequately formed to tie the members of the community closely with each other and with those outsiders promoting the association.

We have identified the following basic elements of social capital that are crucial for endogenous development through collective action.

(a) **Trust:** When an endogenous development approach is proposed and initiated by the government or some nongovernment organization (NGO), it cannot be effective unless people trust that initiative. When individuals in a community are trustworthy, are networked with one another in multiple ways, and are within institutions that facilitate the growth of trust, trust is enhanced. Therefore, trust and endogenous development has reciprocal relationship.

(b) **Norms of Reciprocity:** It is an internalized personal moral norm as well as a pattern of social exchange. Ostrom (2003) describes reciprocity as an effort to identify who else is involved, an assessment of the likelihood that others are conditional cooperators, a decision to cooperate initially with others if others
are trusted to be conditional cooperators, a refusal to cooperate with those who do not reciprocate, and punishment of those who betray trust. When the norm of reciprocity prevails in a community, any collective action like endogenous development is easier to initiate and implement.

(c) Networks: It provides an additional incentive to selfish individuals for behaving cooperatively. Dense networks of social exchange are a crucial condition for the development of the norms of reciprocity and trust through the transmission of information. Three basic forms of networks, attributed to bonding-, bridging-, and linking social capital, have been suggested by Woolcock (1999). Bonding social capital refers to strong networks that consist of a closely knit set of connections within a specific group of people, who are well aware of one another's behavior and reputation. Thus, formation of social capital among individuals starts with bonding. Unless this network is successfully and positively created, individuals of a community cannot proceed to broader networks. Bridging social capital is formed by weak networks connecting individuals from different ethnic and occupational backgrounds, sustaining generalized reciprocity and trust beyond those who are familiar or well known. Bridging social capital is harder to build and maintain than bonding social capital. Through bridging social capital, individuals from different groups within a community move beyond their diverse self-interest toward mutually beneficial collective action that is crucial for endogenous development. The success of an endogenous development program largely depends on this network linking the local people with the external agents initiating and patronizing the program. A major weakness is the lack of both theory and empirical work focusing on the exact formation process and extent of each of the bonding, bridging and linking forms of social capital in diversified socioeconomic and cultural situations. Understanding these processes is necessary for a better conceptualization of the role of social capital in endogenous development.

(d) Institutions: These are the rules of a game that people devise. Formal institutions such as a rule of law and a well-structured government are valuable social capital for any society that encourages individuals to honor one another's norms and values, and to cooperate with one another in a peaceful and developed society. However, formal institutions cannot completely cover the exigencies arising in daily life, thus informal institutions such as working rules and self-governing systems in any arena of social interactions are important forms of social capital for solving many problems of collective action. Both formal and informal institutions play important roles in endogenous development by providing proper guidance in collective action. A conceptual framework incorporating differ-

![Conceptual framework of social capital and endogenous development](image-url)
ent components of social capital and endogenous development is proposed in Fig. 1. While it expresses the role of social capital in endogenous development, it needs further theoretical development from empirical research into the concrete relationships between these two important concepts and its application in development policy.

Concluding Remarks
When local people face the problems that the market and the government cannot solve, they do so collectively. Collective action, necessary for solving local problems through endogenous development approach, is enhanced by human relationships, social interactions, trust, mutual support and the spirit of cooperation, which are the main components of social capital. Therefore, social capital is one of the core concepts in endogenous development that acts as the glue to hold the local community together for collective action. The process of social mobilization during endogenous development reciprocally creates social capital. The concept of social capital provides a broader framework for analyzing the endogenous development process, which remains relatively unexplored. Although the concept of social capital has been enriched by many economists and social scientists in recent years, there is still a shortage of theoretical and empirical studies of the formation processes of social capital in different socio-economic and cultural situations. Further research in this field and development of distinct classifications is required.

Notes
1) Informal education: the truly lifelong process whereby every individual acquires attitudes, values, skills and knowledge from daily experience, and the educative influences and resources in his or her environment—from family and neighbors, from work and play, from the market place, the library and the mass media (Coombs et al., 1973).
2) Nonformal education: any organized educational activity outside the established formal system—whether operating separately or as an important feature of some broader activity—that is intended to serve identifiable learning clienteles and learning objectives (Coombs et al., 1973).

References