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Professional paper

THE ROLE OF SOCIAL CAPITAL IN SUSTAINABLE RURAL DEVELOPMENT: THE CASE IN THE REPUBLIC OF NORTH MACEDONIA

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Abstract

This paper elaborates the relationship between social capital components and sustainable rural development. Through empirical research it's examined the relationship between the components of social capital, social trust, social cohesion, social participation, social security and sustainable development in rural areas in RNM. The questions are designed through the application of the Likert scale, by examining a target group of respondents who exist in rural areas. Through statistical processing it's displayed the relationship between the notated components. The study illustrates the relationship of "non-economic" factors in achieving sustainable rural development. The inclusion of social capital elements in rural development reflects local wisdom and community strength. The aim of the paper is to stimulate debate about the missing "social" in contemporary economic policies.

Keywords: social capital, sustainable rural development.corporate, property, business, strategy, integration, entrepreneurship

1. Introduction

The subject of the research is social capital and its role in achieving rural sustainable development. The relevance of this topic from the need to implement measures for rural development, considering the undeniable fact that a significant number of economically underdeveloped rural areas exist in North Macedonia.

The aim of this study to illustrate the influence of social capital on rural sustainable development.

A research gap arises due to the presence of intangible variables on both sides: social capital and rural sustainable development. Official statistical institutions still do not maintain statistics on this type of intangible capital, nor are there systematically organized data for rural areas in North Macedonia. This research gap is addressed through independent data collection, appropriate processing, and obtaining relevant results.

2. Theoretical Overview of Social Capital

Conventional economic theory considers capital as one of the four factors of production, alongside labor, land and entrepreneurship (Fiti, 206). For a long time, economic theory defined capital exclusively as human-made physical capital. More recent expertise expands the concept to include other dimensions, such as social capital.

Historically, social capital can be traced back to the mid-19th and early 20th centuries. Hanifan (1920) in his book The Community Center, dedicated a special chapter to social capital, its development, and use. He emphasized that: ″In the use of the phase 'social capital', the usual acceptance of the term 'capital' is not implied, except in a figurative sense…When people in a community become acquainted with one another and form the habit of meeting for recreation, social interaction, and personal enjoyment, with skillful management, this social capital can be readily directed toward general improvement in communication and well-being .″ (Hanifan, 1920, pp. 78-80).

Hanifan also highlighted the importance of social capital in rural areas, which is not at an enviable level. His work included a case study demonstrating the positive influence of social capital in a rural area in West Virginia.

The roots of social capital can be traced even further to Aristotle, who observed that humans are inherently social beings. Social interactions are intrinsic to human nature and are essential for maintaining social cohesion, even in modern market economies, particularly in times of economic adversity.

The modern concept of social capital emerged in the 1970s when Loury (1976) applied it in the context of critiquing orthodox neoclassical theory regarding income inequality driven by racial disparities in American society (Golubovic, 2009).

Social capital productive, enabling the achievement of certain goals that would not be possible in its absence. Social cohesion, a dimension of social capital, includes elements such as trust, norms, reciprocity, and cooperation. When embedded in social relations and interactions, these elements facilitate coordinated actions for mutual benefit. Social relationship are thus regarded as a resource within social structures or organizations. Social capital creates advantages for those who engage with it, ranging from immediate family and extended family networks to friends, acquaintances, community groups, associations, networks, and organizations (Coleman, 1988).

Social capital is defined according to its function. It is not a single entity but a variety od entities sharing two characteristics: they involve aspects of social structure and facilitate certain actions of individuals within that structure (Coleman, 1990, p. 302). Actors can derive benefits from their membership is social networks or other social structures (Portes, 1998, p. 6). Information, trust, and norms of reciprocity are embedded within social networks (Woolcock, 1998, p. 153). Nobel laureate George Stigler contributed to the study of information and its significance for market functioning and overall economic activity (as cited in Fiti, 2016).

Economics recognize that information in real markets is often asymmetric. In this context, social capital as a collection of non-market relations, can compensate for incomplete or asymmetric information. Trust, value-based norms, and similar dimensions of social capital can address market imperfections arising from such asymmetries.

Neo-capitalist theories of social capital primarily stem from Bourdieu, Coleman and Putnam's research in impoverished communities in Italy demonstrated that strong social capital facilitates the achievement of collective goals. Networks and groups are recognized as key dimensions of social capital (Grootaer, C., 2004 as cited in Praszkier & Nowak, 2012, p. 83).

The premise of social capital is that it represents an investment in relational ties with expected outcomes and constitutes an intangible asset. Adler and Know (2002) explore how social capital functions as a form of capital, enabling benefits such as superior access to information, power, and solidarity. Collective investment in internal relationship reinforces group identity. Among the various forms of capital identified by Bourdieu, economic capital is the most liquid, easily convertible into human, cultural or social capital. Social capital, however, is less liquid, and its conversion into economic capital is limited. It can substitute for or complement other resources and sometimes compensate for a lack of financial or human capital. Social capital requires maintenance; existing relationship must be renewed (Adler & Kwon, 2002).

Woolcock and Narayan (2000) categorize social capital approaches into four perspectives: communitarian, network, institutional, and synergy. The communitarian perspective equates social capital with local organizations (clubs, associations, and civic groups), positively affecting community well-being. It also contributes to poverty analyses, as social ties help poor manage risk and vulnerability. The network perspective emphasizes horizontal and vertical relationship among people. For instance, poor entrepreneurs initially rely on immediate neighbors and friends (bonding social capital) for credit, insurance, and support, then gradually access broader markets as their businesses expand (Woolcock & Narayan, 2000, pp. 230-234). Granovetter (1973) argues that economic development progresses as individuals leverage close community ties while gradually acquiring skills and resources to participate in wider networks, integrating into the economic mainstream.

The network perspective also underpins the Grameen Bank in Bangladesh, founded by professor Muhammad Yunus during a period of famine. The bank began as a small personal loan project and evolved to provide rural men and women with access to credit, combat exploitation by moneylenders create self-employment opportunities and empower marginalized populations, especially women, transforming a cycle of ″low income, low saving, low investment″ into a progressive system of increased income saving, and investment.

The institutional perspective posits that the vitality of community networks and civic society largely depends on political, legal and institutional contexts. Unlike the communitarian and network perspectives, which treat social capital as an independent variable, the institutional perspective considers social capital as a dependent variable (Woolcock & Narayan, 2000, p. 234).

3. Measuring Social Capital

Social capital is an intangible variable, which poses measurement challenges. Woolcock and Narayan (2000, pp. 239-241) emphasize that the difficulty in measuring social capital arises because:

- Comprehensive definitions are multidimensional, incorporating various levels and units of analysis.
- The nature and forms of social capital evolve over time, reflecting changes in the balance between informal organizations and formal institutions.

Due to the absence of long-term cross-country studies, contemporary researchers construct indices from proxy measures such as trust, movement confidence, voting trends, and social mobility.

Narayan and Pritchett (1999) developed a household and community-level social capital index in Tanzania, considering the density and characteristics of formal and informal groups and networks, key variables in these studies include association density, membership heterogeneity, and level of active participation.

Other manifestations of social capital involve norms and values that facilitate exchange, reduce transaction and information costs, enable trade in the absence of contracts, and promote responsible citizenship and collective resource management (Fukuyama [1995] as cited in Woolcock & Narayan, 2000).

For instance, the National Civic League in the United States developed a Civic Index to measure civic capital, encompassing formal and informal relations, networks, and capacities that enable communities to solve problems and thrive. The index includes five dimensions: philanthropic climate, community engagement, charitable involvement, volunteerism and active citizenship. Onyx and Bullen (1998) developed a survey for New South Wales, Australia, identifying eight core factors constituting an individual’s social capital: local community participation, social activity, trust and safety, neighborhood ties, family and friend connections, tolerance for diversity, life value and work relationship.

The World Bank’s Social Capital Initiative identifies indicators such as horizontal associations, civic and political society engagement, social integration, and legal and governance aspects. Evidence increasingly suggests that social capital can affect developmental outcomes, including growth, equity, and poverty alleviation (Grootaert, 1996).

Strong social norms and beliefs associated with cohesive social networks promote adherence to local rules and reduce the need for formal controls. Building social capital requires significant investment in establishing and maintaining relationship (Adler & Kwon, 2002).

4. Methodology

To test the proposed hypothesis, the study employed data from surveys structured according to a Likert scale, as well as calculated average values for the Human Capital Index and the Rural Development Index. The following methods were applied: correlation analysis (to determine the strength and direction of relationship), linear regression (to measure the magnitude and direction of influence [β coefficient] and verify statistical significance via t-tests and p-values), t-tests for slope (direct testing of Ho). Coefficient of determination (R^2) and confidence intervals.

5. Analysis and Presentation of Results

The study investigated the influence of social capital on inclusive rural development among respondents from the Porece rural area (North Macedonia). Data were collected through questionnaires based on scientific literature on social capital and its effects. Surveys were conducted online via Google Form and for farmers without internet access, face-to-face. Additional terms were used to clarify question for respondents while the paper maintains academic terminology for reporting results.

Questions followed Likert-type scales:

1. Not at all, No, Very little, Yes, Always;
2. Not at all, Do not participate, Participate very little, Participate, Always participate;
3. None, Absent, Very little, Present, Always present.

Respondent’s association types were defined based on forms deemed directly beneficial for their target group in achieving their goals, such as marketing products/services. Respondent composition: Self-employed (8%), employed in another enterprise with agricultural activity in free time (34.5%), full-time farmers or wild plant gatherers (26.4%), non-profit organizations (3.4%), and others (28.7%).

Nine research questions were included: eight reflecting social dimensions and one representing the effect on inclusive rural development. Social capital measured via questions on attitudes toward association, participation in organizations/events (fair, festivals), support from local authorities, information accessibility, sense of belonging and trust. Rural sustainable growth was measured through respondents’ perceived benefits from social capital. Qualitative analysis showed 41.9% of respondents confirmed benefits from social capital, 29.1 % responded ″very little″, 26.7% responded negatively, and 2.3% reported ″not at all″. Quantitative analysis involved coding responses numerically from 1 to 5. Linear regression treated the social capital index as independent and rural development index as dependent. Average social index: 3.087; rural development index: 3.092.

Pivot table 1. Average value of social capital index calculated by groups of respondents

Groups of respondents	Average value of Social Capital Index
Employees + agricultural activity	3.208333333
Other	3.161458333
Farmers	2.788043478
Non-profit organization	3.333333333
Self-employed	3.178571429
Total	**3.086206897**

Source: Author's own calculations

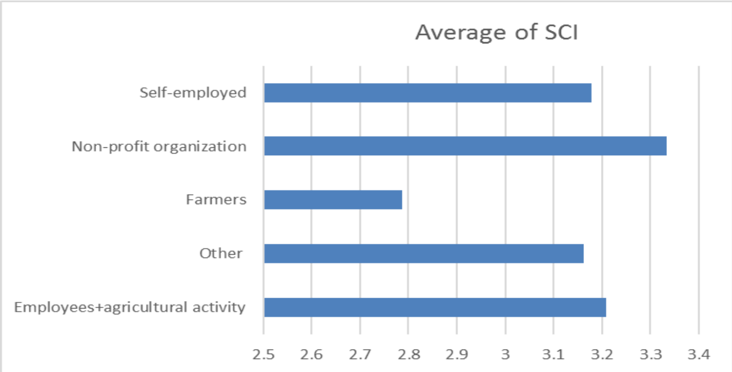
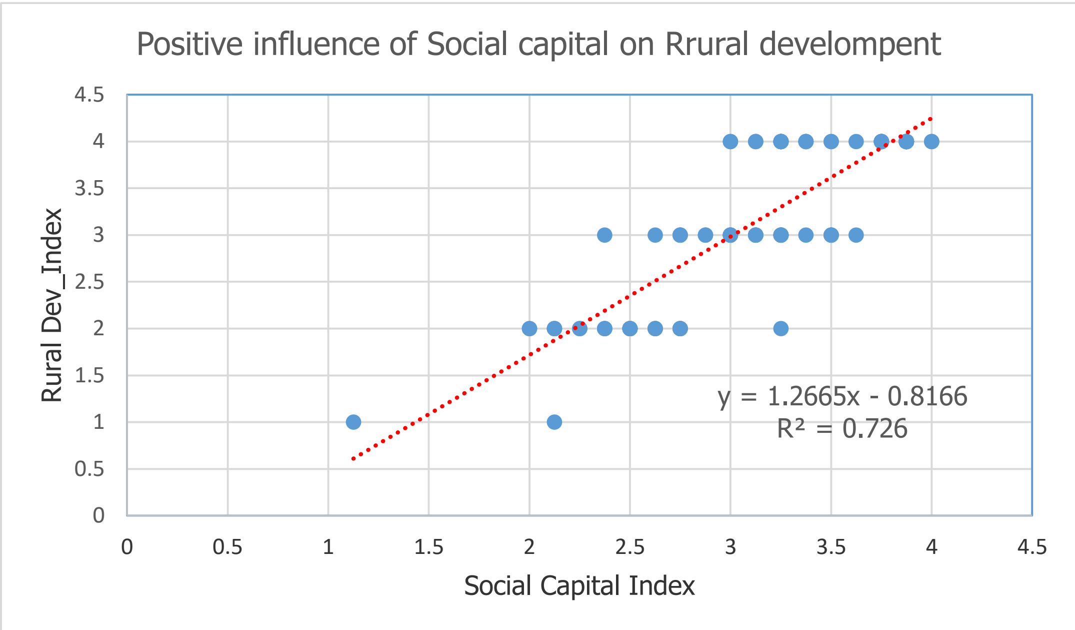


Chart 1. Correlation of the social capital index between groups of respondents
Source: Author's own work

Table 1 and Chart 1 indicate the highest social capital index among non-profit organizations, reflecting their awareness of social capital creation. Farmers recorded the lowest index, highlighting the need for targeted recommendations.



Y-axis: Social capital index, X-axis: Rural Development Index
Chart 2. Impact of social capital on rural development
Source: Author's own work

Regression results (Chart 2) indicate a positive impact of social capital on rural sustainable development ((Y=1.266, X=0.81) with R^2 demonstrating that social capital dimensions are a significant factor in rural development.

Hypothesis testing:

- Null hypothesis (Ho): Social capital has no positive effect on rural sustainable development ($\beta = 0$).
- Alternative hypothesis (H1): Social capital has a positive effect on rural sustainable development ($\beta > 0$).

The results obtained are presented in Table 2.

Table 2. Regression Analysis Summary

Metric	**Value**
Correlation (r)	0.852069
Slope (β)	1.266466
Intercept	-0.81662
R²	0.726021
t-statistic	2.719895
p-value (2-tailed)	0.007917
Std. Error of Slope	0.46563

Source: Author's own calculations

Results interpretation:

- Correlation: r = 0.852 (strong positive correlation)
- Slope: $\beta = 1.266$ (each unit in social capital raises rural development by 1.266 units)
- Intercept: Y-axis crossing point
- $R^2 = 0.726$ (explaining 73% of rural development variance)
- t-statistic: 2.72 (sufficient reject Ho)
- p-value (two-tailed): 0.0079 (statistically significant, $p < 0.05$)
- standard error of slope: 0.466 (used to construct confidence intervals)

Correlation and regression analyses confirm a strong positive association and statistically significant effect of social capital on rural development ($\beta = 1.266$, SE = 0.466, t (85) = 2.72, p = 0.0079), with a 95 % confidence interval for β (0.34, 2.19) above zero. $R^2 = 0.726$ indicated social capital is a significant mechanism driving rural sustainable development.

6. Concluding Remarks

The quantitative analysis revealed a positive relationship between social capital and rural development. The results indicate that social capital has a statistically significant impact on rural sustainable development. High correlation (r = 0.852) and substantial coefficient of determination ($R^2 = 0.726$) demonstrate that social capital is a crucial factor in achieving rural sustainable development.

The study also showed that effective communication among groups facilitates rational resource use, equitable access to opportunities, and capacity building, while highlighting the current weak social structure and cohesion in rural areas.

7. Recommendations

For Policy Makers:

- Develop measures to foster social capital specifically include individuals engaged exclusively in agriculture.
- Promote forms of social entrepreneurship and provide institutional support and incentives for rural activities.
- Integration social capital into rural development strategies.

For Local Communities:

- Encourage collective forms of organization (cooperatives, associations) to strengthen social capital and facilitate joint market participation.
- Provide training on sustainable resource use and collective organization benefits.
- Stimulate trust-based networks to increase participation in rural associations.

Form Economic and Market Benefit:

- Educate rural populations on economic and market advantages of social capital.
- Train on product diversification and creating added value through social capital.

For Future Research:

- Conduct long-term studies with broader coverage to assess social capital's impact on inclusive growth.
- Undertake comparative analyses.
- Develop methodologies and indicators for quantitative and qualitative measurement of social capital's role in promoting inclusive rural growth.

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