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Social Capital and Economic Growth Opportunities: A Case Study of Rural Households in Obudu, Cross River State, Nigeria

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Social Capital and Economic Growth Opportunities: A Case Study of Rural Households in Obudu, Cross River State, Nigeria

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Abstract - This study examined the relationship between social capital and economic growth opportunities. Primary data were collected from a sample of 500 households in Obudu Local Government Area, Cross River State, Nigeria. Information on household income, demographic factors, human capital, physical assets and social capital were collected. Social capital covers six dimensions: groups and networks; trust and solidarity; collective action and cooperative; information and communication; social cohesion and inclusion; and empowerment / political action. Social capital index for each household was constructed in the scale of 1 to 10 using linear transformation technique. The entire data was analyzed using logit model estimation. The results provides evidence and lend supports to the assertion that social capital play important role in stimulating economic growth of the rural households. Other variables found to be important include physical capital, human capital, household size and dependency factor.

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1. INTRODUCTION

Stimulating economic growth opportunities has been one of the main objectives of development planning in Nigeria, the emphasis has been specifically spelled out and documented in various government development plans, i.e. the four National Development Plans (1962-1968, 1970-1974, 1975-1980 and 1981- 1985), Structural Adjustment Programmes (SAP 1986-1990), National Economic Empowerment and Development Strategies (NEEDS) and vision 2020. In fact stimulating economic growth and reducing poverty is a national agenda in Nigeria.

As a result of various efforts to stimulate economic growth, Nigeria recorded economic growth rate of 7.4% in 2011. However, the growth of 7.4% is disproportionate to the reality on ground, especially on rural poverty due to the reason that national wealth concentrate in a few hands (severe income equality). The overall poverty rate in Nigeria stood at 34.1%, while the

poverty incidence in rural areas is found to be higher (36.4%)(National Bureau of Statistics 2010). Estimates of inequality also indicate that Nigeria has more unequal distribution of income than Ethiopian, Madagascar, India and Niger and the predominance of rural poverty over urban has been consistent since 1996 (Agbokhan, 2000; Bolarin, 2010, etc.).

Generally speaking, the strategy to reduce poverty in Nigeria consists of two main elements. The first element is to increase the income and productivity of the poor. This was to be achieved by expanding their productive capital as well as increasing their efficiency and productivity such as by adopting modern techniques, replanting and redevelopment of crops, irrigation, introduction of new crops, and improved marketing, credit, financial and technical assistance. Second, to improve the quality of life of the poor by provision of social services such as housing, health, education and public utilities (Matthew and Johnson 2002; Yusuf, 2008 and Bolarin, 2010).

Thus, in Nigeria, the strategies to create economic growth opportunities are generally macro in nature. Besides, assistance to the poor is focused on improving the physical and human capital of the poor to enable them to expand their economic activities, increase productivity and income. It appears that another important form of capital, that is social capital, is neglected in creating economic growth opportunities for the poor. This is unfortunate, since a growing body of recent literature has demonstrated that social capital which is defined as the networks and reciprocal behaviours which characterized a social group.

Social capital is generally characterized by (i) groups and networks, (ii) trust and solidarity (iii) collective action and cooperation (iv) information and communication (v) social cohesion and inclusion and (vi) empowerment and political action is important for the advancement in material gain and welfare (Ilan et al, 2001; and Abdul-Hakim et al, 2010). It is an essential form of capital, such that it plays an important role in affecting the well-being of households as well as level of development of communities and nations. In fact, it has been suggested that social capital is an important

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determinant of poverty (Graoortert, 2001 and Yusuf 2008; etc). Besides, Isham et al (2000) argued that communities that are endowed with a higher stock of social capital are in a better position to gain more economic growth opportunities. Putnam (2002) also showed that the level of social capital were strongly correlated with number of social consequences such as lower level of violent crime, lower mortality levels, and better educational outcome. Goetz (2007) also demonstrated that social capital is vital in poverty alleviation, and strategies as such improving the educational level of the poor and the creation of new jobs do not necessary guarantee a reduction in poverty. These efforts must be complemented with the development of social capital if the strategy is to be effective. This study attempt to investigate the argument and hence, to ascertain whether there is evidence that lends support to the contention in Nigeria. Towards this end, this paper investigates the level of existence of social capital and whether social capital at the rural household level stimulate economic growth opportunities or reduces the probability of the household being poor using logit model.

This paper is organized into four sections as follows. Section I provides the introduction, section II discusses the sources of data, measures of growth and social capital as well as the model for estimate in the study. Section II discusses the results, while section IV concludes.

II. DATA AND METHOD

a) The Data

The data used in this study are primary data gathered through a survey conducted between July and August, 2012 in Obudu local government of Cross River State, Nigeria. Obudu is located in the Northern senatorial district of Cross River State, consisting of ten local wards with a total population of about 160,106 (National Population Commission, 20006). While the estimated number of households is about 20,013. The sample of the study consists of 500 households which were selected through a stratified random sampling method. This represents about 2.5% of the estimated total households in ten wards.

b) Measures of growth/poverty

Here, per capital income is used in capturing growth while poverty line per capital of N4,500 per person per month based on the world bank measure of \$1 per person per day and exchange rate of #150 per a \$ was used in segregating the poor and the non-poor households in the sample of our study. Therefore, for the purpose of the analysis, a household do not achieved growth or is poor if per capital income of the household is less than \$1 (N150) per day or N4, 500 per month.

c) Measures of social capital

In the literature, there is a disagreement on definition and what constitutes social capital. In fact, there is also a disagreement on how social capital should be measured. Following Grootaert et al (2004); and Abdul-Hakim et al (2010), social dimensions or components. The six dimensions and the related items for measuring them are presented in table 1 below.

Table 1 : Social capital dimensions and the related indicators

Dimension of social capital	Items
Group and networks	i) Membership in formal or informal organization or association ii) Ability to get support from those other than family members and relatives in case of hardship.
Trust and solidarity	i) Most people in the community can be trusted ii) Most people in the community always help each other.
Collective action and cooperation	i) More than half of the community contributes time or money towards common development goals. ii) High likelihood that people in the community cooperates to solve common problems.
Information and communication	i) Frequently listen to radio ii) Frequently read newspaper iii) Frequently watch television
Social cohesion and inclusion	i) Strong feelings of togetherness within the community ii) Feeling safe from crime and violence when alone at home.
Empowerment and political action	i) Have control in making decisions that affect everyday activities ii) Vote in the last general election (2011).

All of the items representing each domain are in the form of “yes” or “no” answer. A value of 1 is assigned to “yes” answer, while a value of 0 is given to “no” answer. In order to derive the social index for each individual household, the percentage of “yes” answer is calculated. This percentage is then transformed into a scale of 1 to 10 by applying a linear transformation, as follows:

$$Y = h(X) = 1 + (9/100)*X \quad (1)$$

Where, Y is the social capital index score and x is the raw score (percentage of “Yes” answer).

d) The logit model

In estimating the effects of various factors on the probability of a rural household achieving growth, a binary choice model based on the maximum likelihood model is employed. A dummy dependent variable which takes the value of 1 and 0 is used. The value of 1 is assigned to a household not achieving growth (poor) i.e.

if the income of the household is less than the specified poverty line income. On the other hand, the value of O is assigned to a household that achieved growth (non-poor household is equal to or more than the specified poverty line income; the logit model used in this study is specified as follows:

$$Y^* = \beta X_i + U \quad (2)$$

Where

- $Y_i = 1$ (no growth) if $Y_i^* > 0$
- $Y_i = 0$ (growth) if $Y_i^* < 0$
- $\beta =$ Vector of Parameters
- $X_i =$ Vector of independent variables
- $U_i =$ error term

The probability of a household not achieving growth or otherwise, is postulated to be a function of demographic characteristics of the head of the household, the household characteristics, as well as physical, human and social capitals of the household. The demographic characteristics of the household head are characteristics such as the age, gender and marital status, while the household's characteristics are characteristics such as the household size, number of dependants, and remittance (Wooldridge, 2002; and Abdul-Hakim, et al, 2010).

Hence, the probability of household i not achieving growth could be written as

$$\Pr(Y_i) = L(\beta X_i) = \frac{\exp(\beta X_i)}{1 + \exp(\beta X_i)} \quad (3)$$

Where L is the logistic function and

$X_i =$ (AGE, GEN, MARST, HHSIZE, DEPEND, PEDIT, PHYC, HUMC, SOCC)

The detail explanation of the variables used are presented in table 2.

Table 2 : Description of Variables

Variables	Definition
Dependent variable Growth Independent variable	(Binary) yes = 1, No = 0 (Using poverty line income)
Age (AGE)	Age of the head of household
Gender (GEN)	Male = 1, female = 0
Marital status (MARST)	Married = 1, single or divorced = 0
Household size (HHSIZE)	Household size
Dependency (DEPEND)	Number of dependents
Remittance (REMIT)	Total value of remittance by children not living together (1 month)
Physical capital (PHYSC)	Value of physical assets (₦)
Human capital (HUMC)	Number of years of education of the head of household
Social capital (SOCC)	Index of household social capital

It is expected that SOCC, HUMC, PHYC and REMIT would have a negative relationship with the probability of not achieving growth otherwise positive relationship. This is because these variables are expected to contribute to an increase in household income; on the other hand, it is expected that DEPEND would have a positive relationship with the probability of not achieving growth. The effects of AGE, HHSIZE, GEN and MARST on the probability of not achieving growth cannot be determined a priori.

III. THE RESULTS

The results of the study are presented in table 3 below;

Table 3 : Estimated coefficients/parameters

Variables	Coef.	Z-test	P-value
AGE	-0.14	-0.59	0.56
GEN	0.04	1.28	0.00
MARST	0.25	0.53	0.02
HHSIZE	0.29	3.24	0.11
DEPEND	0.09	2.07	0.096
REMIT	-0.01	-0.4	0.45
PHYC	-0.32	-2.11	0.213
HUMC	-0.43	-2.58	0.24
SOCC	-0.41	-3.36	0.04
CONSTANT	-1.27	-4.27	0.09
Sample size = 500 LR chi ² (10) = 19.50 Prob > chi ² = 0.001 Pseudo R ² = 0.12 Log likelihood = -83.4925			

The result in table 3 indicates that: SOCC, HUMC, PHYC, HHSIZE and DEPEND significantly influenced the probability of household not achieving growth. On the other hand, AGE, GEN, MARST and REMIT are found to be insignificant, the results also shows that, as expected, social capital (SOCC) is an important variable to explain the likelihood of rural household in Obudu not achieving economic growth. The estimated coefficient of social capital (SOCC) as shown in table 3 is -0.41 and significant at 1% level. This result implies that, ceteris paribus, social capital has a negative impact on the probability of not achieving growth. Hence, a unit increases in social capital (SOCC) will decrease the probability of household not achieving growth by 0.41. Alternatively, ceteris paribus, a 10% increase in SOCC will reduced probability of household not achieving growth by 4.1%. The findings of this work agree with the results of the work of Abdul-Hakim et al (2010).

IV. CONCLUSION AND POLICY IMPLICATION

It appears that strategies designed to stimulate growth opportunities among rural households in Nigeria

focus more on physical and human capital with no or less emphasis on social capital. Hence, it is believed that social capital should be given more attention in stimulating growth in the rural households. The finding of this work provides evidence and lend support to the fact that social capital does indeed matter to the policies efforts design to stimulate economic growth opportunities among rural poor. While physical and human capital is important, the result suggest that promoting social capital could further enhance the economic growth potentials of the rural households.

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