

Impact of Social Capital on Quality of Life: Evidence from India

by

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Abstract: Improvement of quality of life is a general aim of all developmental programs the world over. Resources including natural capital and human capital are known as the wealth of a country. It has been found that these capitals are not the only determinant of economic growth and development of countries and that there is a missing link which is able to explain the various levels of growth and development amongst nations.

The present study will investigate the perceptions of people about social capital and its impact on quality of life. The major findings of this study show that there is a significant relationship between social capital and quality of life and multiple regression analysis also indicate that except social participation all indicators of social capital are accepted as predictors of quality of life in India.

Keywords: social capital, quality of life, social networks, development, India.

JEL classification: O15, Z 13

1 Introduction

Social capital has become a buzzword among political and academic elites, though the term remains relatively unfamiliar to the general public. Even among the politicians and scholars who use the term, there is often confusion about what 'social capital' is, or how it should be measured (Lin et al, 2008).

In recent decades, sociologists and economists have acknowledged that physical capital is not the only available and necessary kind of capital. Evidence indicates that human capital, natural capital, cultural capital and social capital also have an important role in human social life. Although social capital is recognized as a core concept of development, scholars have not given adequate attention to this concept in developing countries (Babaei et al, 2011). Therefore, Social capital can be explained as a concept that tries to capture the essence of community life. The concept is based on the idea that communities work well or poorly based on the ways in which people interact. It emphasizes the social dimension of life and how it is lived in specific places (Mignone, 2003). This concept is generally associated with social participation and with networks of co-operation and solidarity (Aref et al, 2010).

The common goal of development at local, national and international level is to promote quality of life. The future of human beings depends on a better understanding of elements which have a bearing on their quality of life. Parts of these elements are found to have an impact on the quality of our relationships with others, formal and informal groups and sections; that are expressed as social capital. Expanding and facilitating the communication networks and social ties promotes access levels between individuals and groups to economic and social resources. These ties and communications in their different forms act as a type of glue so that the elements present in society can connect together and accumulate functions such as social cooperation (Ounagh et al, 2011).

Resources such as natural capital and human capital are not the only determinants of economic growth of countries. Different studies have shown that inefficiency in most of the developmental programs that have been executed in many regions were related to the condition of relations and ties which are present among people with each other, with official organizations and the norms that stabilized them. The most important role of social capital in the process of development is to enhance

these ties and act as a catalyst through making better communications and positively supported ties among the individuals living in one place. Therefore, social capital can affect the quality of life of people directly and indirectly through various elements which are essential for development.

The measurement of social capital can potentially provide valuable insights into the social networks and links that individuals and communities have and importantly how these networks and links can be utilised to contribute to positive outcomes for the individual and the community alike. In this way the measurement of social capital may enhance our understanding of how individuals in a community can work cooperatively to achieve shared goals and to deal with difficulties. The purpose of this paper is to gain insight into comparison of quality of life in different areas of the case study, to investigate the relationship between social capital and quality of life, and to illuminate the empirical model for case study and identify the extent to which total variance in quality of life can be uniquely explained by each predictor.

2 Review of Literature

Social capital has been a relatively recent in theory and research. It was only in the 1980s that several sociologists, including Bourdieu, Coleman and Lin independently explored the concept in some detail (Lin 2001). Roslan et al, (2010) argued that in the past, economists and policy makers had emphasized the accumulation of physical and human capital as a tool for achieving development objectives such as increasing income and improving the health and education level of the people. While these two types of capital are important, neglecting social capital may lead to failure of achieving the full potentials of development. The results of the study suggested that social capital is important and hence plays a role in improving the quality of life. Investment in social capital is expected not only to raise the standard of living, but also to improve the quality of life.

Babaei et al, (2011) in their analysis tried to assess the influence of social capital on the

Human Development Index, Human Poverty Index and Gender-related Development Index in Iran. The results of the study revealed a positive and significant relationship between social capital and the Human Development Index (HDI). The effect of social capital according to the study on the Human Poverty Index (HPI) was negative and significant. The study also found an insignificant relationship between social capital and the Gender-related Development Index (GDI) in Iran.

Yaghoubzadeh (2011) used a quantitative and analytical approach in his study to evaluate the relation of social capital and economic development. The results of the study confirmed that there is a correlation between economic development and social capital. Flores and Rello (2003) in their paper attempted to study the relations between social capital (SC) and the result of the efforts made by poor groups to reduce their poverty and social exclusion in Mexico and Central America. The authors concluded that social capital is a key resource in the success of the projects of the poor groups.

Johannes (2009) in his paper examined the effect of social capital on household poverty. Results of the paper show that, membership in associations and the indicator for decision making index are positively correlated with household per capita expenditure (i.e. poverty reducing). This analysis suggested that policy makers interested in improving the living conditions of households may be advised to consider promoting social capital as one relevant ingredient to achieve the millennium development goals of reducing poverty.

Roslan et al, (2010) conducted a research about the importance of social capital. The results proved that social capital plays an important role in poverty alleviation. Other factors that are found to be important in addition to human capital and physical capital are the age and gender of the head of the household, as well as the size of the household.

Fukuyama (2010) in his article addressed the concept of social capital: in particular, where social capital stands today, how it interacts with other factors in international development, and

how it will contribute to economic growth and poverty alleviation in the future.

Andriani (2010) investigated whether social capital can affect the standard of living of Italian households based on poverty and social exclusion. The analysis of the study developed at the regional level through cross-sections. Results of the study confirmed that there is significant and negative correlation between social capital and the measures of social exclusion and the study also showed that social capital is positively correlated to higher levels of living standard in Italy.

Bjornskov (2003) suggests a few possible explanations in regard to the relationship between social capital and quality of life (life satisfaction): Firstly social capital could lead to higher economic growth rates, which in turn, may create optimism for the future. The optimism about the future then may lead to higher life satisfaction. Secondly social capital could help countries to cope with external shocks successfully. The ability to cope successfully with external shocks will help promote stability in the economy. This in turn may reduce economic uncertainty, and hence raise the level of life satisfaction. Finally social capital inherently is good in itself. Having social interaction and knowing many friends could lead directly to the feeling of good about oneself and may raise the individual or societal level of life satisfaction.

Akcomak and Ter Weel (2009) investigated the interplay between social capital, innovation and per capita income growth in the European Union. The Study identified innovation as an important mechanism that transforms social capital into higher income levels. In an empirical investigation of 102 European regions in the period 1990-2002, results showed that higher innovation performance is conducive to per capita income growth and that social capital affects this growth indirectly by fostering innovation.

Noghani et al, (2009) have explained that there are two main dimensions for quality of life: objective quality of life and subjective quality of life. Objective quality of life is the objective

facilities and chances in one's life. Facilities help people to be healthy and use their life chances. Subjective quality of life is the sense of being advantaged so that the consequence is a sense of happiness. In this research the relationship between social capital and quality of life and its two main dimensions have been examined. The results of the study showed that social capital has a greater role in explanation of the quality of life relative to income and education. Income is the most important factor for explanation of the objective quality of life and social capital is the most important factor for explanation of subjective quality of life.

Ounagh et al, (2011) conducted a comparative research about social capital and quality of life in Delhi and Tehran. The results of multiple regressions in this study indicated that in both societies there is a significant relationship between social capital and quality of life. In addition, the study found that there is significant difference in impact of social capital on quality of life in Delhi and finally the multiple regressions indicated that all five indicators of social capital are accepted as predictors of quality of life in Delhi, whereas in Tehran excluding communication the rest of the four indicators viz. view towards locality, social participation, social trust, and local solidarity are entered in the model as predictors of quality of life.

3 Conceptual Model and Hypotheses

Over the last two decades the concept of social capital has shown to be fruitful in social and economic research but still disagreement remains over how social capital should be measured. Here, social capital is viewed to constitute five dimensions or components and 34 questions in the social capital index. These five components are: a) view towards locality; b) local solidarity; c) social trust; d) social communication; e) people's participation.

Quality of life (QOL) also suffers from a lack of standard agreed definition and form of measurement. In this study QOL is measured through questions about people's perception on some aspects of quality of life. The QOL in this study consists of six domains as follows: a)

safety; b) health status; c) mental/ emotional state; d) quality of the environment; e) quality of accessibility to social services; f) economic status.

The primary objective of this study is to examine the impact of social capital on quality of life. Based on this objective the study aims to test following hypotheses:

- There will be a significant relationship between social capital and quality of life
- There will be a significant relationship between view towards locality and quality of life
- There will be a significant relationship between local solidarity and quality of life
- There will be a significant relationship between social trust and quality of life
- There will be a significant relationship between social communication and quality of life
- There will be a significant relationship between social participation and quality of life
- There will be a significant difference in the quality of life between different areas

4 Methodology and Research Design

This research is of a descriptive type of measuring relation between social capital and

quality of life. The study used survey designs, where a questionnaire was used to collect the data from 200 households. The questionnaire was structured around a Likert scale and a multistage random sampling method is chosen as sampling method. The respondents were asked to answer questions which were constructed to find the impact of social capital on quality of life. The questionnaire was pilot tested to have its contents validated. Statements for the level of social capital were tested for their reliability using Cronbach's alpha. The reliability coefficient or Cronbach is 0.88 for the whole questionnaire. For testing hypotheses of the study a correlation coefficient test is used to evaluate the relation between variables. One-way ANOVA and multiple regressions are also used to examine the rest of the hypotheses. This study was carried out in Uttar Pradesh state (Aligarh) of India in 2012.

5 Results and Discussion

The results of the study have been tabulated below. In general, Table 1 indicates correlation between social capital (SC) variables and quality of life. This table shows that all social capital variables (view toward locality, local solidarity, social trust, communication, and participation) are significant at 0.000 levels.

Table 1: Correlation between Social Capital Variables and Quality of Life

Name of Variables	Value of Correlation	Significance Level
View towards locality	0.82	0.000
Local Solidarity	0.73	0.000
Social Trust	0.40	0.000
Communication	0.56	0.000
Participation	0.23	0.001

P<0.001

Table 1 shows a strong positive correlation between view toward locality, local solidarity and social communication variables with quality of life. Table 1 further reveals that relationship of quality of life with social trust & communication are positive but not as strong as its relationship with other social capital

variables. Additionally, the P value of variables shows with 99 per cent confidence the null hypotheses of the study will be rejected and that the alternative hypothesis which is that there are significant correlations between social capital variables with quality of life for all variables will be accepted.

Table 2: ANOVA

	Sum of squares	df	Mean square	F	Significance level
Between groups	2049.12	3	1024.56	3.72	0.026
Within groups	54246.43	197	275.36		
Total	56295.555	200			

Table 3: Multiple Comparisons (Games-Howell Test)

Groups/ level		Mean difference (I-J)	Std. Error	Significance level	95% confidence interval	
I	J				Lower bound	Upper bound
Poor	Middle	-1.77619	3.84048	0.889	-11.55	7.999
	Well off	-8.14703	4.23827	0.152	-18.66	2.366
Middle	Poor	1.77619	3.84048	0.889	-7.999	11.55
	Well off	-6.37084	2.06791	0.048	-12.70	-0.035
Well off	Poor	8.14703	4.23827	0.152	-2.366	18.660
	Middle	6.37084	2.67091	0.048	0.0357	12.706

The comparison of quality of life differences in different areas of the field study is presented in table 2 and 3. Table 2 indicates that there is a statistically significant main effect for the whole society. This means that different areas of our study (Poor, middle and well off) have different levels of quality of life. Post-hoc comparison

tests (Table 3) show that the mean score for poor areas is significantly different from both middle and well off areas. This result shows that people in poor areas have different levels of quality of life and it can be explained by lower levels of social capital in that area.

Table 4: Model Summary

R	R square	Adjusted R	St.d Error of estimate
0.89	0.80	0.79	0.76

Table 5: ANOVA

Model	Sum of squares	df	Mean square	F	Sign
Regression	45157.97	6	9031.60	157.31	0.000
Residual	11131.56	194	57.41		
Total	56295.55	200			

Table 6: Regression

Model	B	Std. Error	Beta	t	Sig
Constant	21.723	4.537	-	4.788	0.000
View	0.411	0.34	0.510	12.039	0.000
Solidarity	0.276	0.32	0.345	8.543	0.000
Trust	0.230	0.105	0.078	2.188	0.030
Participation	0.052	0.138	0.013	0.373	0.709
Communication	0.129	0.29	0.171	4.522	0.000

R square value in table 4 indicates that 80 percent of the variance in quality of life is explained by the model. Table 5 shows the statistical significance of the result and it indicates that with 99 percent (sig=0.000) confidence there is a significant relationship between social capital and quality of life in our study.

Table 6 shows that four variables viz. view towards locality, local solidarity, social trust and social communication contributed to predict quality of life while social participation failed to act as a significant predictor. The Beta column in this table indicates that people's attitude and view about the locality where they live has the largest beta value (0.51) that means view towards locality makes the strongest unique contribution to explain the quality of life. In the same column, the beta value of social participation has the lowest value (0.013). The Table further shows that social trust also has a low beta value of 0.78 and consequently low contribution in explaining the quality of life in the model. According to table 5, predictors of quality of life can be explained with the following equation:

$$Y = a + \beta X_1 + \beta X_2 + \beta X_3 + \beta X_4 + \beta X_5$$

where;

Y = quality of life

a = the intercept

β = the slope or regression coefficient

X_1 = view towards locality

X_2 = local solidarity

X_3 = social communication

X_4 = social trust

Quality of life = 21.723 + (0.51) * view towards locality + (0.34) * local solidarity + (0.17) * social communication + (0.78) * social trust.

The findings in Table 5 shows that the first hypothesis regarding a positive relationship between social capital and quality of life is accepted and seems to be in agreement with Healy and Ayres 2003; Noghani et al, 2009; Roslan et al, 2010; and Ounagh et al, 2011; who also found a positive relationship between social capital and quality of life in their studies. Table 1 indicates that there is a positive and significant correlation between social capital

variables with quality of life. Therefore, hypotheses 2, 3, 4 and 5 are accepted and there is a correlation between quality of life and view towards locality, local solidarity, social trust, social communication and social participation. Peoples' perception about the place where they live plays an important role in determining the individuals' feeling about life through improving emotional fulfillment and life satisfaction (Bejornscov 2003; Roslan et al, 2010; and Ounagh et al, 2011). Local solidarity is a state of unity that describes the positive and supportive characteristics of the locality. High level of solidarity makes use of a wide range of aids to solve problems and helps in improving quality of life for the local dwellers. The Fourth Hypothesis of the study is an attempt to identify the relationship between social trust and quality of life. Social trust is related to belief and honesty, integrity, reliability and the expected behavior of others and also is as a key cognitive indicator of social capital. Different studies like Knack 1999 and Ounagh, et al, 2011 showed that there is a positive relationship between social trust and quality of life. The Fifth and Sixth hypotheses were tested to gain insight into the relationship of social communication and participation with quality of life. Social communication and networks connote the complex sets of relationships between members of a society. Individuals with strong social communications will have much better quality of life than without having any communications and relations. Participation in the society is also assumed to have a positive relationship with quality of life and lead to better quality of life. In the present study both the 5th & 6th hypotheses are accepted and show that both social communication and participation are positively correlated with quality of life in India.

Findings in Tables 2 and 3 confirmed that there is a significant difference in the quality of life among different areas of our case study and quality of life in poor areas differ significantly from quality of life of both middle and well off areas. Therefore the seventh hypothesis of the study has been accepted.

6 Conclusion

This study promises to make a significant contribution to the study of social capital and its impact on quality of life. Social capital is regarded as an important determinant of quality of life. It refers to the extent to which communities provide individuals with opportunities through supportive relationships, generalized trustworthiness and active involvement in local and social activities to increase their resources and decrease their social expenditure. The findings of this study show how social capital components are influencing quality of life. This study indicates a positive correlation between quality of life and all dimensions of social capital (view towards locality, locality solidarity, social trust, social communication and social participation) which means higher social capital will lead to higher quality of life in India. However, the strong effects come from view towards locality, local solidarity and social communications in this study and results also show that there is a different level of quality of life in poor areas as compared to middle and well off areas which can be explained by the lower social capital level in poorer areas. It is believed that social capital should be given more consideration for improving quality of life and neglecting its importance may lead to failure in the achievement of the full possibilities of development in different regions.

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