

The Impact of Social Capital on Vietnam Rural Economic Development

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Abstract

Social capital is always considered as an important resource in the development process. In each nation, social capital shows different characteristics; as a result, these differences create varieties in both styles' lives and social relationships. Usually, social capital is traditionally studied in the sociology field; however, this research will examine it from an economic perspective; and focus to discourse on social capital within the context of economic development in rural areas in Vietnam - a middle-income developing country. Through the author's practical experiences in 6 rural areas in northern Vietnam, combined with in-depth interviews with farmers in these 6 regions and official statistical data from state agencies, the article has synthesized and summarized and pointed out the impact of social capital on Vietnam's rural economic development.

Keywords: Social capital, Resources, Rural economic development, Support

1. Introduction

Economic development is influenced by various forms of capital, some of which can be quantified (such as financial, natural, physical, and human capital), while others remain unmeasured (such as social capital). Social capital, often intangible, acts as a cohesive force, connecting social elements and facilitating interactions in socio-economic activities. In recent decades, scholars have recognized the pivotal role of social capital in both economic development and sustainability.

Vietnam, despite its modest size, exemplifies resilience. Historically burdened by poverty, particularly in rural regions, the country faced chronic food shortages three decades ago. However, Vietnam has since transformed into a middle-income nation, achieving economic, political, and social milestones. Notably, multidimensional poverty rates have declined to 4.03%, and several export products now hold prominent positions in the global market in

2022 (Hanifan, 1916). In fact, Vietnam's rural area experiences rapid changes, encompassing both positive and negative shifts. This is an area with a very great position and role, not only in terms of the proportion of residents living, but also in terms of economic contributions. Research on the impact of social capital in Vietnam's rural economic development can explain the strong and wonderful growth of Vietnam's rural economy, and also show the barriers, which if Vietnam has without them, Vietnam could develop even stronger.

2. Research Overview

The concept of social capital emerged within the realm of sociology. From this standpoint, social capital is a subject that garners interest among numerous domestic and international researchers. The term "social capital" was initially introduced by Lyda Judson Hanifan in 1916 during his examination of relationships within rural North American schools (Hanifan, 1916). During that period, social capital encompassed notions of friendship, mutual understanding, and interaction among individuals or families.

The scientific idea of social capital gained significant recognition in 1986 with the publication of "Forms of Capital" by Pierre Bourdieu, a renowned French sociologist, anthropologist, and philosopher (Pierre Bourdieu, 1986).

In his education research, Coleman highlighted that social capital has a beneficial role in the development of human capital. The primary constituents of social capital encompass: (1) Trust - collaboration among individuals; (2) Efficient social rules governing the execution of actions; and (3) Durable networks (Coleman – rational-choice approach on social capital, 2015).

Robert David Putnam (1993) concurred with Coleman's assertion that social capital plays a crucial role in fostering social control. Social control entails the family and community's duty to cultivate and strengthen trust, as well as disseminate information and establish norms regarding individuals' conduct and interests (Putnam – democratic or civic perspective, 2015).

Casper Sorensen (2000) and Gonne Beekman et al. (2009) conducted further research on social capital in rural regions. Casper Sorensen underscored the significance of social networks in enhancing coordination action, thereby mitigating opportunistic behavior among individuals. Meanwhile, Gonne Beekman et al. in their study "Social Capital and Resilience in Rural Areas: Responses to change" have provided an overview of social capital as well as its impacts on rural areas (Casper Sorensen, 2000; Gonne Beekman et al., 2009).

In their 2017 publication titled "Social Capital and Local Development from Theory to Empiric", Elena Pisani, Giorgio Franceschetti, Laura Secco, and Asimina Christoforou present a comprehensive analysis of the impact of social capital on rural and local development (Elena Pisani et al., 2017). Their research draws upon studies conducted in Europe, Latin America, and Africa. This research shows that, the European Union (EU) is facing heightened vulnerability to poverty due to financial and economic crises. This issue has been a central focus in the EU's economic, employment, and social agenda, particularly in relation to rural and marginalized regions (Europe 2020). According to the authors, the

progress of rural development is contingent upon endogenous elements, including the natural environment, local culture, and economic connections with urban regions. This, in turn, leads to the expansion of innovation potential in rural areas, resulting in enhanced competitiveness, employment, and sustainable development. The significance of social capital lies in its ability to foster the establishment of networks and trust-based relationships among local players in both the public and commercial sectors. Additionally, it plays a crucial role in facilitating improved management of natural resources in rural areas.

The Vietnam Development Report 2000, titled "Vietnam Attacks Poverty", presented research on social capital, specifically examining the impact of different forms of capital on poverty alleviation. The utilization of case analysis and in-depth interviews in qualitative research has revealed that impoverished households are deficient not only in financial and physical resources, but also in human and social resources. Impoverished individuals employ various tactics to cope with poverty, including tactics that may compromise sustainable development, such as compelling children to abandon their education (Viet Nam - Development report 2000: attacking poverty, Washington, D.C.: World Bank Group, 2000).

The Vietnam 2022 overview update study by the World Bank evaluated the economic condition of Vietnam within the framework of the COVID-19 epidemic and put up recommendations to facilitate recuperation and foster enduring economic expansion. The research highlights that the obtained outcomes are rooted in trust and social solidarity, while also fostering collaboration and innovation, which is referred to as social capital (Vietnam overview, 2022).

The inclusion of social capital as one of the five resources in production, alongside natural capital, human capital, financial capital, and manufactured capital, is acknowledged in the publication titled "Forum for the future - action for a sustainable world."

Tran Phuong Anh (2016) suggested several strategies to enhance social capital as an economic asset in order to facilitate the industrialization of Vietnam's rural economy (Tran Phuong Anh, 2016).

These studies reaffirm the notion that social capital is a captivating subject that garners extensive investigation from numerous organizations and scholars, and is examined from both sociological and economic standpoints.

3. Research Results

3.1 What is Social Capital?

As defined by the World Bank, social capital encompasses institutions, relationships, and traditional values. The synthesis of material quantities inside society is not solely a process, but rather functions as a cohesive force that binds these vast quantities of social assets together.

Presently, the notion of social capital is progressively broadening and carries significant ramifications across various domains of research. Related to the research topic, this article will study social capital in two pairs of terms. One is collective social capital and individual

social capital; and the second one is "outreaching" social capital and "contraction" social capital. These two pairs of terms, actually have a close relationship with each other.

Collective social capital refers to the interconnections and associations among individuals and organizations. These links might exist within a broad society, such as a country or across countries, or within a smaller society, such as a village or commune. Social capital has the potential to shape the lifestyle and manner of individuals within a community, and over time, it may evolve into a distinct culture and set of customs.

Individual social capital refers to an individual's network of connections and relationships with various entities and organizations inside a given society. The development, consolidation, and accumulation of an individual's social capital typically require a prolonged and uninterrupted duration. Indeed, it is evident that individuals possessing robust and comprehensive social capital are frequently presented with numerous prospects for enhancing their knowledge, abilities, and professional trajectory. This, in turn, fosters the cultivation of personalization in human and cultural capital, as well as facilitates economic progress. Consequently, these developmental chances serve to enhance and cultivate an individual's social capital. Conversely, if an individual possesses a restricted amount of social capital or fails to consistently amass, develop, and enhance their social capital, it will likewise restrict their prospects in both life and work. Interactions among individuals, social groupings, countries, and the world can result in the accumulation or depletion of social capital.

"Outreaching" social capital pertains to the promotion and expansion of connections among individuals and groups within society. The objective of "outreaching" social capital is to enhance opportunities for the exchange of knowledge, skills, experience, and trade. The presence of extensive social capital can enhance the community's ability to adapt, allowing people or organizations to provide stronger support to one another during periods of commercial or financial difficulties. Nevertheless, the phenomenon of "outreaching" social capital has the potential to gradually erode the cohesion and cohesion inside a group.

"Contraction" social capital refers to a form of social capital that fosters relationships within specific groups, while simultaneously limiting and excluding individuals who do not belong to those groups. Additionally, it restricts the ability of group members to surpass established norms and embrace novel ideas, thereby impeding the development of a more extensive network. The primary attribute of "contraction" social capital is its ability to exert control over members through the implementation of stringent standards established inside the organization. Therefore, the concept of "contraction" in social capital often hinders a group's ability to extend its reach, as it necessitates the adoption of alternative norms and standards that may necessitate adaptation. In the present context of integration, the phenomenon of "contraction" in social capital has been shown to result in a state of impasse and stagnation within a group or society.

Based on the aforementioned investigations, the author presents a comprehensive notion of social capital in the following manner:

Social capital is a form of capital that is acquired through the process of identifying,

preserving, amassing, and enhancing resources for economic progress. Social capital refers to the interdependent connections and collaboration among individuals, groups, and countries within a society. It is founded on social norms and aims to promote development and sustainable progress.

3.2 Expression of Social Capital in Rural Areas of Vietnam

The author has synthesized and summarized social capital issues in rural areas of Vietnam based on my own experiences in six rural areas in northern Vietnam: HaiDuong, Hanoi, NinhBinh, ThanhHoa, BacNinh, and HaiPhong. This was achieved through in-depth interviews with farmers in these regions and official statistical data from state agencies. Rural areas in Vietnam consistently exhibit a significant reliance on land and natural resources, encompassing land, water, environment, and productive potential. This region has consistently been recognized for its intimate social connections and robust communal spirit. The establishment of these relationships gives rise to social networks and social capital, which are manifested in both the production activities and the daily lives of individuals residing in rural areas of Vietnam.

In Vietnam's rural areas, several common ties and social networks are maintained, like:

Firstly, Village and commune relationships: the links between villages and communes in Vietnamese rural areas are intricately intertwined, with numerous community activities being confined to the boundaries of these localities. Vietnamese tradition dictates that villages and communes frequently establish village ordinances that govern the responsibilities and entitlements of persons within the community. These regulations are regarded as established norms and guidelines that necessitate adherence from members of the village and commune community.

Second, Family and clan relationships: clan and family ties are common characteristics in rural regions as well. Members of the same family and clan form strong bonds with one another through blood ties based on genus and surname.

Thirdly, The neighbourliness relationship: Demonstrates cohesion in the village community. The shared care between family members and neighbors demonstrates each individual's interconnectedness and social network, thereby contributing to creating trust and confidence among members.

Fouthly, Production relationship: the main activities in Vietnam's rural areas are handicrafts, craft villages, and agricultural production. As a result, individuals in this field have connections in the production industry. They take part in cooperatives and cooperative organizations, as well as associations like the Women's Union, Farmers' Association, Youth Association, etc. Members in rural areas benefit from this relationship by strengthening and growing their relationships in production and removing barriers issues with product production and consumption

Finally, Other relationships: Peer councils, veteran councils, veterans' associations, and other informal groups are prevalent in rural areas. In the community, unions and associations grow

and take shape, forming complex interactions.

Social capital in rural Vietnam is expressed mainly through the above relationships. The fact shows that social capital in rural Vietnam today has all types, including community social capital and individual social capital; “outreaching” social capital and “contraction” social capital. Social capital truly acts as an intangible resource, affecting many activities in production and life in rural areas of Vietnam, both positively and negatively. There is an interesting thing is that, when talking about capital and resources for development, most people only think about tangible resources, such as natural resources, land, cash...; and social capital - perhaps this is an invisible resource, so most of them do not know it as an economic resource, although they still access and use social capital every day and every hour.

3.3 Positive and Negative Impact of Social Capital on Vietnam's Rural Economic Development

3.3.1 Positive Impact

The presence of "Outreaching" social capital in a rural area is believed to have a beneficial influence on rural economic growth. This implies the presence of a robust communal bond, wherein all constituents of the community exhibit a collective sense of assistance, engagement, mutual aid, receptiveness to knowledge acquisition, and a willingness to broaden their networks. Currently, social capital plays a crucial role in facilitating rural economic growth by actively assisting individuals in rural regions to overcome challenges and enhance their social well-being. Consequently, the rural region has undergone enhancements across various dimensions. The positive effects of social capital on rural economic growth in Vietnam are as follows:

(1) Rural agricultural economic reform is facilitated more swiftly and sustainably by social capital.

This is a recurring theme in the author's real-world observations from Vietnam's rural districts. Numerous farmers actively participate in cooperatives, cooperative groups, and production associations, thereby expanding their social network. This enables them to avail themselves of numerous advantageous opportunities to access agricultural resources and knowledge, such as training sessions and the exchange of production experiences. The relationship between them is more intimate.

Cooperatives and cooperative organizations serve as a cohesive force that unites members in a shared objective, fostering a cooperative atmosphere for farmers. This enables them to collectively address communal challenges more effectively. Individuals themselves exhibit a high level of enthusiasm in engaging in activities aimed at broadening their social connections. According to them, organizations not only enhance their business stability but also provide spiritual value. Over time, they progressively assume a prominent role in actively engaging and facilitating the advancement of agricultural productivity, while concurrently fostering the development of a more refined, contemporary, and environmentally sustainable rural lifestyle.

Based on statistical data provided by the Ministry of Agriculture and Rural Development, it can be observed that the economic structure of rural agriculture in Vietnam has undergone a transformation characterized by increased efficiency and rationality. In 2022, Vietnam experienced significant economic growth, reaching 8.02%. The agricultural sector, which contributes 3.36% to the overall economy, played a crucial role. The export turnover of agricultural-forestry-fishery products reached a record-breaking 53.22 billion USD, marking a 9.3% increase compared to 2021 (Vietnam Statistic report annuals, 2019).

In 2022, farmers had a significant improvement in their lives, with an average annual income of 3.86 million VND per person. This represents a 10.8% gain compared to the previous year, 2021. The rural regions of Vietnam have experienced a progressive transformation into a dynamic production area, characterized by several branded products and a notable level of competitiveness in both domestic and international markets.

Furthermore, in addition to its role in agricultural productivity, social capital plays a crucial role in facilitating the growth of craft villages and non-agricultural occupations in rural regions. This holds considerable importance for the rural economy of Vietnam, and for the country's economic progress in the context of industrialization and urbanization. Associations such as the Women's Association, Youth Association, and Craft Village Association have facilitated career transitions for rural individuals, providing them with access to market knowledge, reducing transaction costs for inputs, and enhancing their ability to consume products. In addition, professional groups that involve homes willingly entering the same field have assisted them in overcoming external competing pressures, enabling them to operate with more effectiveness and stability.

(2) Social capital facilitates social progress in rural regions by assisting individuals in securing employment and achieving stability in their lives.

The phenomenon of industrialization and urbanization in Vietnam has resulted in a significant number of farmers experiencing the deprivation of land or production resources, or both, thus leading to a decline in their income. A significant number of individuals residing in rural areas are compelled to alter their employment.

Social capital is a crucial aspect in addressing this predicament. In the context of industrialization, urbanization, and international economic integration, it has been observed that social capital in rural parts of Vietnam has undergone a transformation. Rather than being confined to the village, social capital has increasingly expanded outside its boundaries, encompassing both collective and individual forms of social capital. The operations of cooperatives, organizations, and production groups in rural areas have demonstrated the presence of collective social capital. These entities have effectively generated chances to enhance job stability, income, and overall quality of life for numerous persons.

Rural individuals also actively cultivated their social capital by leveraging extensive social networks to gain access to production and employment information. They endeavor to integrate into the extensive network of connections within urban areas, engaging in the exchange of experiences, acquiring knowledge, and accessing novel resources.

The findings derived from in-depth interviews conducted with numerous households residing in rural regions indicate that individuals frequently leverage social capital as a means to generate impetus for economic advancement. This is exemplified by their utilization of borrowed funds from relatives and acquaintances to augment agricultural output or initiate entrepreneurial ventures. Farmers have leveraged social capital within their kinship networks to undertake economic endeavors, including the creation of employment opportunities, credit activities, and the development of handicrafts. The mitigation of disputes during the industrialization-urbanization process is of particular significance, as it plays a crucial role in fostering social stability within rural regions.

(3) Social capital has played a significant role in promoting and optimizing the utilization of human capital and other types of capital in rural areas.

An intriguing aspect of social capital that has been present in rural parts of Vietnam for a considerable period of time is the robust and intimate relationships within family lineages. Social capital of this nature exerts a beneficial influence on several forms of capital, including human capital, financial capital, physical capital, and natural capital, particularly in rural regions.

According to the survey and statistics conducted by the Vietnam Association for Promoting Education in 2022, a significant proportion of family lineages residing in rural areas, around 90%, initiate the establishment of study and talent funds (Vietnam Association of Promoting Education). These funds have fostered, incentivized, and recognized the academic accomplishments of their children and grandchildren, thereby enhancing the standard of local education. They serve as a source of inspiration and a powerful drive for every rural individual, particularly the younger generation, to excel in their studies.

In addition, clans within a village, commune, or locality frequently engage in mutual observation. To avoid feeling inferior to other clans, individuals within the clan, particularly the family heads, typically encourage, remind, and support their children in their studies and interpersonal relationships. They utilize the clan system to assist children in their family's work and closely monitor their adherence to village regulations, avoid mistakes, and comply with the law.

Rural residents exhibit a strong apprehension of scandal, particularly when a family member is unfortunate to face a difficult situation. Conversely, they take great pride in their family's extensive network and the achievements of its members. Successful individuals also seek to enhance their support for their family lineage, specifically their hometown. These assistance encompasses not just tangible resources but also various other dimensions, including information, employment prospects (facilitating the introduction of relatives to jobs through personal connections), agricultural growth, and rural infrastructure development...

The good aspects of these qualities in rural areas have contributed to the enhancement of human capital and the efficient utilization of other capital sources. This is a prevalent method of utilizing social capital in rural parts of Vietnam, despite the fact that many rural individuals, even family heads, are unaware of their utilization of this resource. The author received an

almost 100% "No" answer to the question of what they know about social capital and whether they use social capital in life.

It is very interesting that despite a lack of comprehension among rural Vietnamese individuals regarding the concept of social capital, they have effectively implemented it in several aspects of their lives, including family economics and regional socio-economic progress in rural areas.

(4) Social capital helps connect people, forming sustainable social communities

The influence of social capital in rural areas not only includes beyond the aforementioned direct effects, but also encompasses indirect effects for those residing in rural regions. Vietnam has encountered numerous changes in its growth trajectory, including the impact of the economic crisis, the Covid-19 pandemic, and various disasters. Typically, the rural areas of Vietnam are the most susceptible. Social capital refers to a network of support that assists individuals and farming households in navigating challenges, enhancing their confidence in interpersonal connections and production endeavors, and mitigating economic disruptions and disruptions in their lives.

Social capital is regarded as a conduit via which State rules and policies are disseminated, oriented, and promoted to individuals residing in rural areas. Consequently, significant challenges about the environment and society in rural regions have been increasingly addressed with more efficacy. The achievements attained during the Covid-19 pandemic, encompassing disease control, vaccination, propaganda, guidance, and other related efforts, as well as the progressively stable agricultural production and efficient operations, serve as compelling proof in this regard.

3.3.2 Negative Impacts

This refers to the phenomenon of "contraction" of social capital in rural parts of Vietnam. Empirical evidence reveals that in rural parts of Vietnam, particularly in the Northern region, social capital, sometimes impede personal growth and hinder access to new resources for development.

The strong cohesion inside the group results in the exclusion and deterrence of individuals from outside the group from joining. This phenomenon is readily apparent in familial and clan affiliations, which serve as a means of social cohesion within rural communities. Clan-based relationships continue to exert significant influence in the modern economy, particularly in rural areas, particularly in the Northern Delta region. This association risks creating cover-ups, rivalry between clans and creating division in the community. Furthermore, within rural Vietnamese villages, individuals are frequently compelled to adhere to their familial roles, which have been upheld and preserved for decades. Consequently, they have difficulty enhancing their social standing. The aforementioned phenomenon has adverse implications for the economic progress of rural regions. Furthermore, this adverse effect presents numerous obstacles for future progress.

The phenomenon of "contraction" in social capital can result in the restriction of personal

freedom and creativity, as well as hinder an individual's ability to achieve significant development or engage with bigger groups. Additionally, there is a potential for intergenerational conflict to arise. This "contraction" hinders the capacity to enhance and cultivate human capital, thereby impeding the expansion of financial capital. Additionally, material capital and natural capital experience a decline in value.

During that period, social capital acts as a hindrance to development, the progress of individuals, and socio-economic enhancement.

4. Conclusion

Social capital plays a significant role in fostering rural economic development in Vietnam. It facilitates the growth of rural agricultural economy, addresses social issues in rural areas, and contributes to the establishment of a stable and sustainable rural society. However, it also has negative implications, potentially impeding development and the expansion of resources in rural regions. The study primarily examines the impacts of social capital on several areas in the northern region, drawing on actual experiences and selective interviews. The focus is on qualitative aspects. One potential constraint of the article is in its failure to provide a precise quantification of the effects on Vietnam's rural economic development. Simultaneously, the interviews and experiences were limited to certain places within the Northern region. In subsequent studies, the author will endeavor to address this constraint and broaden the scope of research on social capital across various dimensions of the economy, like encompass its influence on labor productivity within businesses, the digital transformation of the economy, the mitigation and eradication of corruption, as well as the formation and advancement of the labor market...

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