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TRUST AS A SOCIAL CAPITAL: A CRITICAL INPUT UNDERLYING
ECONOMIC GROWTH AND EDUCATIONAL DEVELOPMENT.
AN INDIAN EXPERIENCE

One of the most fundamental aspects of productive and harmonious society is to create a culture of trust through appropriate education systems to enable human societies to optimize the social capital for growth, equity and prosperity to realize higher human development. Academic revolution in India, particularly since the globalization, is marked by transformation unprecedented in scope and diversity and education particularly higher education is profoundly influenced by the new order. However, it remains unfinished task due adequate statutory support of the government. In Indian context the national aspirations, to establish knowledge society in the context of increasing globalization, is based on the assumption that higher and technical education essentially empower people with requisite competitive skills and knowledge. The emerging trends demonstrate consumer driven approach to enhance marginal capital gains in educational investment. The higher education being a powerful tool to build knowledge based society and also a critical input underlying sustainable development has received a significant attention today. The World Bank (1994) in its report endorsed, that, “institutions of higher education have thus, the main responsibility for equipping individuals with advanced knowledge and skills required for positions of responsibility...”. Higher education in India over the period has gone through an unprecedented expansion in several phases. Soon after the independence in 1947, S. Radhakrishnan Commission report (1948) was initiated for execution. The Commission articulated the higher education reforms required to realize the development goals. The Commission felt the need in the following words: “The most important and urgent reform needed in education is to transform, to endeavor to relate it to the life, needs and aspiration of the people and thereby make it the powerful instrument of social, economic and cultural transformation necessary for realization of national goals”. In order to attune education with changing times and address to the contemporary problems, the National Policy of Education, 1968 and comprehensive national policy of 1986 and 1992 with underlying its Programme of Action was pressed in to service by the government of India. These two reports were based on 1948

report and Education Reforms of 1964-66, popularly known as Kothari Commission Report and served as basis for 1986 national policy. In terms of institutional capacity in the country, in 1950 there were 25 Universities, 700 Colleges with total number of teachers 15000 and tertiary education enrolment just one hundred thousand. Over the six decades period the total number of registered Universities increased to 594, the number of Colleges 20479, undergraduate enrolment about 8 million while the postgraduate enrolment 1.19 million. While the GER (General Enrolment Ratio) has reached 19.2 percent according to All India Survey, 2013, the education in general and higher education in particular does not present a rosy picture. According to All India Survey (2013) out of 594 registered universities in India the postgraduate enrolment stands just 11.89 percent while the enrolment for research programme, M.Phil and Ph.D, does not exceed 0.5 percent and about 80 percent enrolment is found for undergraduate courses. Out of 20479 colleges 54.3 percent are located in rural areas and 9.1 percent colleges are exclusively for girls. While the number of colleges has significantly increased over the period, yet 33.8 percent colleges run single programme and 36.6 percent run B.Ed programme. Majority of the colleges, that is, 73 percent are privately managed in which 59 percent colleges are unaided. Among the total unaided colleges 80 percent are located in two states of southern India that is, Tamil Nadu and Andhra Pradesh. As for as enrolment distribution is concerned 30 percent colleges have less than 100 students on rolls while another 36 percent colleges have enrolment between 100-500 and only 20 percent colleges have above 1000 enrolment. In spite of the state intervention programmes less than 40 percent enrolment is catered to by the government colleges. The major reason for having not kept pace with changing times is due to lack of understanding, confidence and trust particularly institutional and social networking and treating trust as social capital.

CULTURE OF TRUST AS SOCIAL CAPITAL

The public confidence in their representatives in apex legislative bodies is a trust which in a broader sense serves a social capital underlying the society's growth process. Trust in this case refers to the confidence that people have in others that they will act as public might expect. Hence it reflects people's subjective perception of people's reliability. If 'A' lends money to 'B' for a given period with expectation, understanding and confidence that 'B' will return the same after the stipulated period of time mutually agreed upon; the act between 'A' and 'B' and 'B' and 'A' involves confidence and expectation, the action governing the same can be termed as 'trust' which, of course, is subject to element of risk. The modern banking industry lends money or has credit exposure to persons or parties, the risk involved in reposing confidence and having expectation is subjected to a premium to cover the cost of risk and if such risk involved is zero it would be a situation of perfect trust. Trust may be

regarded as key driver of progress within a specific society. Trust is often associated with the concept of social capital and sometimes it is even considered as proxy for it.

Having portrayed a picture of higher education scenario in India in a changing world order and globalization process to realize the desired end-technology driven learning process, emergence of knowledge society, education-industry networking, the major impediment has been the absence of 'culture of trust' in Indian society. This understanding of culture of trust is nothing but the social capital, a critical input underlying social development and economic well-being. In the present paper our focus is on social capital as an input to higher human development and human empowerment. Therefore, a word on social capital, in a broader sense, needs to be articulated over here. Social capital broadly refers to institutes, relationships, principals and norms that shape the quality of society's interactions for higher social and economic welfare ends. The studies have shown with evidences that social cohesion is a critical variable for societies to achieve prosperity and sustainable development. The trust as social capital gained currency with the publication of Putnam (1992), Colman (1990) in their pioneering interpretation within the framework of sociology of rational choice, Knack and Keefer (1997), Fukuyama (1995), Taylor (1996), Perles and Landolt (1996) interpreted trust a fundamental and foundation of social life, the concept appears to be an abstract, but empirical research, of late, have made attempts to quantify it (2000). The social capital, in a limited sense, is reckoned with a set of horizontal association between people, comprising social networks and associated norms and principles that has a social productivity and wellbeing. Social networks can enhance productivity in a community by reducing costs in volume of business. In a societies of isolated groups or networks working cross purposes or with parochial behavior, the social capital may negatively impact on society's collective interest or objective functions, for example, corruption, rackets, operation of mafia groups, divergence of ethnic and religious groups. Colman considers networks as source of social capital and emphasizes relations that people have within each network. He defines social capital as component of human capital that allows members of given society to trust one another and cooperate in formation of new groups and associations. In his perspective individuals do not act independently each other but develop trust through continuous interactions. In his view the patterns of social organizations and interactions determine the social capital. The degree of trustworthiness of social organizations is the most important form of social capital. The social capital in contrast to physical capital is embedded in the relationship among individuals. A broader view of social capital can account for both behavior within the group, organization and communities- a vertical nature of social capital and between the groups, that is, both horizontal and vertical association having both negative and positive impact on desired end. The maximization of horizontal social capital can outweigh the vertical social capital to achieve the desired objective in a society.

On the other hand, Putnam (1993) and Fukuyama (1995) digress from Colman and shifted the focus to the cultural dimension of social capital, by emphasizing the inclination of people towards cooperation, trust, reciprocity and civic association. They emphasize the willingness of people to cooperate with each other and underlined how trust among individuals is rooted in shared culture. Putnam's concept of social capital is that those, "features of social life, networks, norms and trust that enable participants to act together more effectively to pursue shared objective "In his concept of social capital there are three components moral obligations and norms, social values (which he refers trust) and social networks. He believes that a region's well functioning economic system and high level of political integration are the results of successful accumulated social capital (1993). According to K.J. Arrow, Nobel Laureate economist, much of the economic backwardness can be explained by the lack of mutual confidence and trust (1974). Fukuyama interpret social capital" as an instantiated informal norm that promotes cooperation between two or more individuals". His main concern is integration of social capital and trust.

Adam Seligman (1997) endorses the same view in the following words, "The emphasizing modern societies on consensus (is) based on interconnected networks of trust-among citizens, families, voluntary organizations, religious dominations, civic associations and the like. Similarly the" very legitimatimacy of modern societies is founded on 'trust' of authority and governments as generalizations". In earlier works, Bourdiu P (1986) believes that the main components of social resources whose control defines the social position of actors are economic, cultural and social capital. He views social capital that describes circumstances in which individuals can use memberships in groups and networks to get benefits. While emphasizing upon "trust "of people on each other, Qianhong Fu (2004) postulates that "trust and social capital is mutually reinforcing – social capital generates trusting relationship that in turn produces social capital". The culture of trust has to be embedded in interpersonal relationship, institutional and organizational settings and behavior, social networking and principles, norms and laws governing a society. The degree of absence or its presence determines the level of social wellbeing and human contentment and, therefore, serves as social capital in a given society. Greater the social capital and trust higher is the level of social, economic wellbeing and human development.

In macroeconomic economic perspective output, employment and income, Keynes (1936), taken as synonymous, in Keynesian sense, is function of broadly two factors of production, namely, labour and capital expressed as

$$Y = f(L, K) \quad (1)$$

Where, Y denotes output, L labour and K capital. As a result of growth of technology, immeasurable in quantitative terms, the principal factor underlying

modern industrialization, economists modify the above production function equation as

$$Y = f (L, K, t) \quad (2)$$

Where 't' denotes technology. Consequent upon the industrial revolution and technical progress particularly in OECD countries, one of the critical inputs underlying the technological change and industrialization is the exploitation and use of fossil fuels as 'energy' – a critical input underlying growth process, Ali (1998). Therefore, the production function of any economy can be expressed in the following equation:

$$Y = f (L, K, t, E) \quad (3)$$

Where 'E' refers energy input (measured million tones oil/coal equivalent). In the absence of social capital, in a given society or the absence of social capital as such will distort the fundamental production relationship in an economy. Societies grappling with the acute problems of corruption, distrust, terrorism, absence of commensurate principles and laws of governance, disarrayed institutional organizations and personal mistrust tends to suffer in economic growth, social wellbeing and human development. Therefore, social capital in the sense of culture of trust) emerges equally a critical input underlying a macroeconomic production function of a society, expressed as

$$Y = (L, K, t, E, S) \quad (4)$$

Where, S denotes social capital.

Societies with greater degree of trust are on higher trajectory of growth with higher human happiness and human development and vice versa.

EMPIRICAL DIAGNOSTICS

Attempts have been made for indirect estimation of the culture of trust as social capital in societies with cross country comparison (2008). The World Value Survey has arrived at results by indirect estimation of the trust and demonstrates that people's belief play a critical role in economic development, emergence of flourishing and functional democratic institutions, the realization of gender equality and the extent to which societies have effective governments. Human empowerment or in the contemporary development scenario human development is an entity of empowering capabilities, aspirations, and entitlements as an entity, how empowerment tends to virtuous spirals on each of its defined levels. The cultural component- as they establish civic forms of modern individuals (one of the levels).

In quantifying trust as social capital World Value Survey have examined aggregate data for 1981–2000 for the European countries in terms of a ‘variable’ defined as “share of people who think most people can be trusted” arrived at the finding that interpersonal trust has decreased by more than 20 percent in 11 countries of Europe while it increased by more than 20 percent in three countries. The decrease was more than 50 percent in Mexico, Portugal and Turkey. The individual confidence in institutions like democratic institutions a large difference was found among OECD countries. On average, 38 percent individual countries across these countries reposed high trust in Parliament, very high demonstrated by Iceland, Norway, and Luxemburg, that is, more than 60 percent. Very low in Korea, Greece, Czech Republic, that is, less than 25 percent.

Yet, in another empirical investigation (2008) the survey reveals that social trust is not strongly correlated with democracy or economic performance. It is, on the other hand, correlated with views about two other important issues, namely, crimes and corruption. Countries and societies where people generally trust each other do worry about crimes and corruption (political leaders). The investigation reveals that the former CMEA region of Eastern Europe where a belief that “most people are trustworthy” has become a causality in post 1990s. On the other hand, China and Sweden, according to the survey believe that people are generally trustworthy to the extent of 80 percent and 78 percent respectively. Substantial variations exist in the regions of Middle East, Latin America and Africa, for example, Egypt 78 percent, Kuwait 27 percent, Latin America 28 percent to 51 percent people believe that people generally can be trusted while in Africa region it is 25 percent to 49 percent.

The countries like China Sweden, Canada, Britain, USA show high trust but low crime and corruption, while S.Africa, Chile, Peru, Nigeria, Morocco demonstrate very low trust and high crime and corruption.

Similarly Transparency International made a study on developed countries, “how corrupt their public sector is believed” on a scale 0-10 score defining zero score for a country with very high public sector corruption and one for countries having very low level of corruption perceived. In the study the score for Denmark, New Zealand, Singapore Finland and Sweden range between 9.2 – 9.3, and on the other hand Canada, Netherlander, Australia, Switzerland, Ireland, Austria the score ranges between 7.9 – 9.1.

Thus the “trust” is embedded interpersonal trust, institutional trust and norms, regulations and laws governing the institutions and social system which is fragile in societies suffering from social evils like corruption, nepotism, crimes, deviations of procedures and set norms by governance actors. Indian media and opinions by civil society and advocacy groups have forcefully pleaded the case of ‘trust deficit’ in governance system that has played a catalyst role in recent elections (2014).

GOVERNANCE DEFICIT AND REFORM PROCESSES

The culture of trust has been a missing dimension in India to achieve the desired objectives of educational development envisaged in the policy documents of 1948, 1964, 1986 1992 and is likely to be felt in the new policy enunciated in Rashtriya Uchchar Shiksha Abhiyan(RUSA, National Higher Education Mission), 2013. Indian parliament having been reposed trust by the electorate to bring in progressive reforms in education and for economy which the public representatives failed to, hence both economy and education suffered a setback. The education reforms bills pending before Indian Parliament include National Council for Higher Education and Research Bill replacing existing University Grants Commission, Universities Innovation and Research Bill aiming at innovation research, National Academic Repository Bill to create an electronic education certificates to curb forgery and other offences, Education Tribunal Bill, Insurance Laws Amendment Bill, Direct Tax Code Bill, Banking Law Amendment Bill, and so on. The legislation on these reforms would go a long way to bring in revolutionary changes in higher education system besides taking the Indian economy to higher growth trajectory. Diagnostics and empirical evidences on trust erosions

The strong effective social networking with commensurate legal and statutory framework in an economy and social system tend to augment social capital. The major economic and educational reforms in India since 1990s received half hearted attention, as mentioned above, and mistrust in governance and corruptions are the major factors downsizing the growth and globalization of education, particularly higher education. The Public, while losing trust and confidence in political representatives and governance institutions have demonstrated the power in recent elections and empowered a political party with massive mandate for effective governance. At the national conference and annual session of Confederation of Indian Industry (CII), 2014, the Director, Central Bureau of Investigation, while delivering address on “Better Governance Perspective emphasized the need for bridging the gap between ‘expectations of people and effectiveness of delivery mechanisms to improve governance. According to him ‘effective governance requires effective institutions and the effectiveness of institutions delivery mechanisms and framework for supportive rules , regulations and procedures which need continuously evolve in response to challenging times and emerging situations’. In the said conference the Chief Vigilance Commissioner of India expressed that “the fight against corruption calls for twin pronged approach of ‘preventive’ as well as ‘punitive ‘action”. According to him “corruption in government occurs mainly due to misuse of discretion enjoyed by public authorities, cumbersome, nontransparent and ambiguous procedures, over-regulations and excessive state control”. Therefore, ‘mistrust’ interpersonal and in governance institutions reduces the social capital mere fragile, hence human empowerment or human development continues to be at low ebb India.

CONCLUSION

The culture of trust in all its manifestations is believed to be social capital and its accumulation process enable societies to achieve social well-being and economic prosperity. The economists and sociologists while endorsing it as capital, accumulated with passage of time (culture), emerge a critical input in economic performance of societies with higher levels of social and human empowerment. Therefore, it has to be reckoned with as a factor of production to augment social productivity and human happiness. The dismal growth performance in India during the recent years and failure in diversification of education in tune with globalization process are attributed to declining social capital.

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Abstract

The aim of the article is to discuss the issue of academic revolution in India. Particularly since the globalization, this revolution is marked by transformation unprecedented in scope and diversity and education particularly higher education is profoundly influenced by the new order. However, it remains unfinished task due adequate statutory support of the government. In Indian context the national aspirations, to establish knowledge society in the context of increasing globalization, is based on the assumption that higher and technical education essentially empower people with requisite competitive skills and knowledge. The emerging trends demonstrate consumer driven approach to enhance marginal capital gains in educational investment. The higher education being a powerful tool to build knowledge based society and also a critical input underlying sustainable development has received a significant attention nowadays.