SOCIAL CAPITAL AS A DEVELOPMENT SUPPORT TOOL IN ZEMGALE REGION
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Abstract. Regional development policy is a constituent part of the national development policy whose goal is to reduce differences of social and economic development among the regions via measures and actions. Reasonable management and well-considered governance by the country and local governments require a high potential of social capital. Insufficiently activated potential of social capital in the territories of municipality provinces has disturbed a full-fledged economic development. Regional development cannot happen without an active participation of the public.

Key words: regional development, social capital, public activity.

JEL code: R1

Introduction
Uneven development of the regions of Latvia has already been a long-lasting problem that is being solved with a number of laws adopted in Latvia (Regional, 2002; Development, 2008; Spatial, 2011; On local, 1994) and planning documents – at the national level, it is the National Development Plan of Latvia 2014 – 2020 (NAP, 2012); at the municipality level, these are the development strategies of municipality provinces. In the present situation when the development of Latvia falls behind the countries of the European Union (EU), the leading role of the population and the social capital should be evaluated as the potential driver of the economic development of a territory.

In Latvia, there are few publications and little research about social capital, and even less about the evaluation of its use in fostering regional development, but this research could enhance benefits at both local governmental and regional level.

The election of local government of 2017 is approaching in Latvia. The political forces elected in the local governments will decide about the development of the governed territory in the following four years, will try to allocate expenditures based on their political views and personal understanding about the significance of one or another expense. In the world, research has been conducted about the capacity of communities, which indicates that the developed programmes and their performed measures do not always attain the goals if the capacity of communities does not possess the required social capital (T. Marsden, E. Eklund, A. Franklin, 2004; J. Moseley, T. Cherrett, M. Cawley, 2001; I. Kovach, 2000).

Research goal: evaluation of the aspects of social capital for the development of the municipality provinces in Zemgale region.

To attain the goal, the following objectives were achieved: 1) to clarify the essence of social capital; 2) to analyse the impact of social capital.

Materials and methods
The indicators of Bauska and Dobele municipality provinces in Zemgale region were compared. The research comprised the changes in the number of societies and foundations, employing the term “non-governmental organizations” (NGOs).

The data of the Central Statistical Bureau (CSB) of the Republic of Latvia, the database of the State Regional Development Agency (SRDA), the information available on the webpage of the Central Election Commission (CEC) of Latvia, publicly available annual financial statements of the local governments of municipality provinces (VARAM, 2017), statistics of the Rural Support Service (RSS) about the European Union (EU) Funds, data of the State Employment Agency (SEA) about employment indicators, data of the Enterprise Register (ER) of the Republic of Latvia (LR) about the number and dynamics of non-governmental organizations are used as informative basis. The data of the CEC available
about the results of 2009-2013 and 2014 elections are analysed.

**Research methods:** content analysis of literature and internet resources was conducted; the selected data were processed and interpreted applying statistical data processing and interpretation methods.

To compare social capital, the authors used quantitative influence indicators. The period for the analysis was 2009 – 2016.

**Research results and discussion**

In the theory of economics, there are four types of resources: capital, production, entrepreneurship and human resources. According to M. Pelse (2007), G. Becker (1998), E. Igaune (2010) and R. Garleja (2006), human resources are divided into human capital and social capital (SC). Both capitals supplement each other, interact and accumulate.

SC is the substantial advantages that better contacts provide to the individual, a family or a group (Ziverte L., Austers I., Zilinska Dz., 2003). In other words, it is private and public benefits and it can also be defined as a joined approach.

The authors’ research emphasises the approach of the public benefit, SC at the public level – as people’s ability to work together in groups and organizations to attain shared goals. SC refers to the characteristics of social organizations, such as trust (Putnam R., 1995; Fukuyama F., 2001).

SC characteristics is not limited by only these definitions; they allow to be grouped by the cooperation levels, impact and potential.


- at the micro level, when individuals interact, personal contacts, formal and informal networks are made, trust to other individuals, entrepreneurs, the country and the government is developed;
- at the macro level, the involvement of the social groups in public, non-governmental and political organizations and civic initiatives develops, the responsiveness of social groups develops, the social potential creates a strong mutually linked network of groups, the tolerance of society increases, the society becomes more consolidated.
- In addition, the authors mark that SC is a long-term means in which resources can be invested with the objective to acquire a range of benefits in the future.
- **SC impact:** economic development of the territories, development and implementation of the action policy of the country and local governments, increase of the level of life of society.
- **SC potential** is the competence knowledge, skills and abilities possessed by individuals and groups. There exists a correlation – the higher the level of knowledge, the higher the social potential and the more active social engagement (Iyer S., et al., 2005).

Researchers P. Skinkis (2015), I. Vilka (2016) and R. Cimdins (2015) have used indicators to compare SC, dividing them into directly influential and subordinate indicators.

**Core indicators of SC** – participation in various civic and public activities, political parties or groups, professional societies, unions, associations, public and religious organizations, work groups, participation in local governments, collaboration in attracting funding, as well as education indicators.

**Indicators subordinated to SC impact:** the number of population, its changes, density, the proportion of the working-age and until the working-age population, the unemployment rate, the revenue of local governments, expenditures
of local governments for the economic activity, economically active businesses, education of the population, the municipality decision-making power and executive power, funding of the local governments allocated to culture, sports, the number of supported NGO projects.

As it was observed, the SC structure was divided into three groups: private, social and public. The levels of SC analysis are divided into national, regional and local ones, among which this research emphasises the regional and the local (the one of municipality provinces in the research) level.

The authors decided to base the SC comparison on the model developed by R. Cimdins (2015), which comprises three groups of indicators: inhabitants and society as developers of social potential, population’s participation in social processes, activities of social interaction and communities. The direct and subordinate indicators are distinguished in the indicator groups. The indicators: the number of population, its changes, age structure and employment are the indicators characterising the inhabitants and society as SC developers (Table 1) and are selected for comparison. The population’s participation in social processes (Table 2) is the main indication of the population’s activity. To compare the evaluation of participation, indicators about the operation of non-governmental organizations, activity during elections, as well as intensity of implementing the projects of the EU Funds were selected. The existence of social interaction and activities of the communities (Table 3) is the most significant and the most difficult element of social capital to be identified. As it was concluded from the SC theory, the quality of the human life is determined by the society’s ability to interact socially and to trust, but a full-fledged course of these procedures requires the existence of communities and uniform and purposeful actions. Moreover, the development and the existence of communities are linked with shared priorities, beliefs, interests, traditions and mutual relations whose functioning demands social interaction and networks.

To clarify the SC potential, the authors chose to compare Bauska and Dobele municipality provinces (Table 1). The choice was determined by the following characteristic similarities: municipality provinces are located in Latvia, Zemgale region; similar distance to the capital; the size of the territory; the number of the population, as well as agriculture as the leading industry. Moreover, in both municipality provinces the number of population has reduced much faster (Table 1) in 2009-2016 than on average in Zemgale region, which indicates to the loss of SC potential. The population density is larger in Bauska municipality province, which is by 23 % larger than on average in Zemgale region. A larger population density (Table 1) allows the inhabitants to develop more compact networks for social interaction, which can be considered the prevalence of SC potential in Bauska municipality province.

The reduction of the working-age population (Table 1) can be observed in both provinces and in Zemgale region in total in the analysed period. The SC potential is related to the age structure of the population. The decreasing number of the working-age population reduces both the total SC of the territory and the number of choice for the local leaders who can influence the SC of the local governments both positively and negatively.

The number of population until the working age (Table 1) indicates to the SC potential that municipality provinces will have in the future. In Bauska municipality province, the future SC – the number of population until the working age – is by 2.2 % larger than that in Dobele municipality province and by 0.3 % larger than the average in Zemgale region.

The unemployment (Table 1) level is similar in both municipality provinces and on average in Zemgale region, except the difference in 2016. The unemployment indicators in Dobele
municipality province are by 0.9 % larger than the average in Zemgale region, which purports a more unfavourable social and economic situation. The revenue of the local governments per capita indicates that in Dobele municipality province, the inhabitants utilise their SC potential more successfully and the population’s remuneration for work increases in difference from Bauska municipality province where the revenue of the local government reduced by 7 % in 2016 if compared with 2015. The observations of the authors correspond to the conclusions of R. Cimdins (2015) that the internal social and economic processes of local governments have a large impact exactly regarding social activities or aspects of the SC potential.

According to J. Grizans (2015), revenues of local governments are directly linked with the business environment in the territory and the businesses able to operate in it. Insufficient budget resources of local governments, growing social problems, the outflow of inhabitants, the poor technical condition of roads and engineering infrastructure, a weak city management, crime and ecological problems are considered the most significant threats for the development of the business environment. The attitude, competence and capacity of the state and municipality institutions and local public organizations are becoming more topical. These drawbacks are directly related to the social capital of regional and local governments.

The indicators of the population’s participation (Table 2) approve the activity of social groups and individuals, which is closely linked with the use of the opportunities of SC potential.

Indicators in attracting the EU Funds (Table 2) indicate to the activity of the social potential of the population of Dobele municipality province – by 212 EUR per inhabitant more than in Bauska municipality province and by 504 EUR per inhabitant more than the average in Zemgale region. In Bauska municipality province, this number is lower – 292 EUR per inhabitant.
municipality provinces approves the society’s ability and sufficient capacity of SC when developing and implementing certain projects.

After the analysis of the financial statements of local governments available via the MEPRD, the authors conclude that expenditures of local governments for the economic activity (Table 2) (expenditures for maintaining the building authority and roads, implementing projects, tourism activities) are a feature of the SC quality and competence of local governments. In Bauska municipality province, these expenditures per capita are even by 79 % larger than in Dobele municipality province and by 57 % larger than on average in Zemgale region. It approves that SC competences for attracting resources of Funds is larger in Bauska municipality province.

The population’s participation at the Council meetings indicates to the formal civic engagement activity and the population’s sentiments. In the local government of Dobele municipality province the civic engagement at the meetings and the work of the committees is recorded, the active part of the society in an average period is 0.05 % of the total number of population. In Bauska municipality province, such an accounting is not performed, therefore it is impossible to compare the data. It is advisable to account for such data because the operation of the active social groups is a significant element of the existence of social capital.

Comparing the social interaction and the activity of communities of both municipality provinces (Table 3), the authors’ opinion coincides with the one of R. Cimdins (2015) that the social structure in the studied territories with a sufficient interaction of the active social groups and the existence of community links characterises the quality of social capital, where the sufficient size of the part of the active public and the socially organized activity are the main basic elements of the social potential. An explanation for the sufficiency of the size of the part of the active public cannot be found in the theory, which can be understood like this: the more active the part of the public, the better.

Table 2

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Year</th>
<th>Bauska municipality province</th>
<th>Dobele municipality province</th>
<th>Average in Zemgale region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources of the EU Funds (EAGF, EAFRD, EFF) per capita (EUR)</td>
<td>2002/2015</td>
<td>1539</td>
<td>1751</td>
<td>1247</td>
</tr>
<tr>
<td>Population’s participation at the meetings of the Council and committees</td>
<td>2013</td>
<td>0</td>
<td>89</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>0</td>
<td>91</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>0</td>
<td>96</td>
<td>-</td>
</tr>
<tr>
<td>Expenditures for economic activity per capita (EUR)</td>
<td>2013</td>
<td>122</td>
<td>145</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>247</td>
<td>69</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>75</td>
<td>16</td>
<td>43</td>
</tr>
<tr>
<td>Economically active businesses (per 1000 inhabitants)</td>
<td>2014</td>
<td>64</td>
<td>59</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>66</td>
<td>64</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>66</td>
<td>64</td>
<td>66</td>
</tr>
<tr>
<td>Number of registered NGOs</td>
<td>2014</td>
<td>75</td>
<td>99</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>83</td>
<td>112</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>153</td>
<td>152</td>
<td>87</td>
</tr>
<tr>
<td>Registered NGOs per 1000 inhabitants</td>
<td>2014</td>
<td>2.6</td>
<td>4.7</td>
<td>4.2</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2.7</td>
<td>4</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>6.4</td>
<td>7.4</td>
<td>8.04</td>
</tr>
<tr>
<td>Voters’ activity(%)</td>
<td>2009</td>
<td>44.5</td>
<td>46.5</td>
<td>50.9</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>32.3</td>
<td>35.1</td>
<td>42.0</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>55.2</td>
<td>53.9</td>
<td>56.5</td>
</tr>
</tbody>
</table>

Source: authors’ calculations, based on RSS, MEPRD, CSB, ER, CEC

During the theoretical research, a regularity was stated: that a higher level of knowledge determines a higher social potential (Iyer S., et al., 2005); therefore, the authors considered it significant to investigate the higher education level of the population, the executive power and the decision-making power of the municipality provinces, which is a significant indicator of the society’s social potential. Moreover, the authors support M. Pelse’s (2010) opinion about the relation of the potential of social capital with the individual’s-leader’s role in rural territories, which
is especially important for the support to the regional development and the development of a municipality province.

**Table 3**

Social interaction and activity of the communities in Bauska and Dobele municipality provinces, on average in Zemgale region

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Year</th>
<th>Bauska municipality province</th>
<th>Dobele municipality province</th>
<th>Average in Zemgale region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inhabitants with higher education(%)</td>
<td>2011</td>
<td>13</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Employees of local governments with higher education(%)</td>
<td>2013</td>
<td>57</td>
<td>49</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>57</td>
<td>51</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>57</td>
<td>53</td>
<td>-</td>
</tr>
<tr>
<td>Decision-making power with higher education(%)</td>
<td>2013</td>
<td>82</td>
<td>71</td>
<td>-</td>
</tr>
<tr>
<td>Funding for culture, sports per capita (EUR)</td>
<td>2013</td>
<td>81</td>
<td>64</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>113</td>
<td>63</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>101</td>
<td>80</td>
<td>-</td>
</tr>
<tr>
<td>Number of NGO projects supported by the local governments</td>
<td>2013</td>
<td>7</td>
<td>129</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>63</td>
<td>149</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>71</td>
<td>142</td>
<td>-</td>
</tr>
<tr>
<td>Voters’ activity(%)</td>
<td>2009</td>
<td>44.5</td>
<td>46.5</td>
<td>50.9</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>32.3</td>
<td>35.1</td>
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</tr>
<tr>
<td></td>
<td>2014</td>
<td>55.2</td>
<td>53.9</td>
<td>56.5</td>
</tr>
</tbody>
</table>

*Source: authors’ calculations, based on CSB, MEPRD, CEC*

In both analysed municipality provinces (Table 3), the number of population with higher education is equal, but it is by 2 % lower than on average in Zemgale region and purports the insufficiency of the population’s social capital and growth opportunities.

Comparing the level of education of the employees of local governments and the representatives of the decision-making bodies in both municipality provinces (Table 3), the authors conclude that in 2013 in Bauska municipality province it is higher by 8 % and 11 % respectively, which means that this municipality province has a higher SC potential. However, over three years, the level of higher education of the employees in Bauska municipality province has not increased, but in Dobele municipality province it has grown by 4 %; thus, the indicators purport the growth of the SC potential of the latter.

Culture and sports events and activities enhance the population’s sense of belongingness, interest and desire to spend time in their municipality province. In both municipality provinces (Table 3), funding for culture and sports per capita has increased in the analysed period, but in Bauska municipality province it is by 21 % larger than in Dobele municipality province, which indicates to enhancing the SC potential in the municipality province.

The number of NGO projects supported by the local governments indicates to significant differences between both municipality provinces - from 86-122 projects a year more in Dobele municipality province. As it was stated in the theory, financial support (funding allocated to NGO projects in local governments) fosters the development of civil society, allows the development of local community and overall participation of the inhabitants in social life, simultaneously organizing a better life environment in the municipality province. The number of supported NGO projects in Bauska municipality province indicates to insufficient quality of SC governance. The authors would recommend Bauska municipality province allocate larger resources to local government’s supported NGO projects that would provide the opportunity for new NGOs to be established with the help of the projects.

The voters’ activity approves the civic activity and the population’s belief that participating in elections they can change something. In total, in Zemgale region the average population’s electoral participation in 2009-2014 (Table 3) fluctuates from 42-56.5 %.

Based on the authors’ observation, the decision-making power is not always able to implement the development strategy designed and approved by the local government because local governments lack resources. This is one of
the reasons why social activity and civic engagement are low.

Conclusions, proposals, recommendation
1) The essence of SC is related to private and public benefits:
   • at the individual level – better mutual contacts;
   • at the public level – people’s ability to work in a group and organizations to attain goals.
2) SC potential is the competences, knowledge and skills possessed by individuals and groups. High population’s participation is directly correlated with SC, which depends on the level of education.
3) Core indicators and subordinate indicators are used to measure SC. Core indicators demonstrate the presence of SC, subordinate – the impact of SC.
4) The lack of SC influences the income of local governments and households, social differences and changes in the population number, weakens the governance of municipalities and fosters crime.
5) Comparing the core SC indicators of Bauska and Dobele municipality provinces, it is stated that:
   • the number of NGOs has increased, which purports about the development and the increase of the population’s collaboration;
   • activity in attracting the Funds purports about the presence of the population’s SC and competences.
6) Comparing the SC potential – level of education, it is observed that it is similar for the population of both municipality provinces, but it is insufficient; there exists the growth opportunity. In Bauska municipality province, the SC potential is higher for the employees of the decision-making power and the local government than it is in Dobele municipality province.
7) Comparing the SC subordinate indicators, it is concluded that:
   8) in both municipality provinces and in Zemgale region, the number of population and the number of working-age population have decreased, which has reduced the total SC of the municipality provinces and the region and has reduced the number of choices for local leaders;
9) The social and economic situation is more unfavourable in Dobele municipality province, where the unemployment rate is larger than the average in Zemgale region and that indicates to insufficient use of SC.
10) The revenue of the local government per capita indicates that in Dobele municipality province SC is utilised more successfully than in Bauska municipality province.
11) The SC competences of the local government of Bauska municipality province to attract the financing of the Funds are larger.
   • In Bauska municipality province, expenditures for culture and sports to foster the SC potential are by 21 % larger than in Dobele municipality province.
   • In both municipality provinces, the civic activity during the elections fluctuates from 42-56.5 %, which testifies of an average trust to the local power.
12) For SC to be utilised more successfully in Bauska municipality province, it is necessary to account civic engagement in order to analyse the activity of individuals and social groups, to search for new opportunities to foster SC.
13) It is recommended for Bauska municipality province to allocate more financial resources to NGO projects supported by the local government in order to provide opportunities for new NGOs to develop with the help of the projects.
14) Summarizing a range of statistical data about Bauska and Dobele municipality provinces, it can be concluded that in certain analysed categories the indicators of the SC
potential have been insufficient for all the economic development of the territory

Bibliography
