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Social Capital – Definition, Characteristics and Evaluation Framework

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Introduction

“Until the yardsticks which society uses to evaluate progress are changed to capture elements of long-term sustainability, the planet and its people will continue to suffer under the weight of short-term growth policies.”

~ Sir Partha Dasgupta

Mankind’s evolution from hunter-gatherers to builders of civilizations is driven by the superior adaptability, ingenuity and social cohesiveness, which we have developed vis-à-vis other species. This has enabled us to use the natural resources at our disposal in concurrence with our dexterity and individual and societal aspiration, to create assets which enhance human wellbeing. We have built cities and nations; landed on the moon; discovered the depths of oceans; created music and art; invented technology and medicine. Yet, inclusive progress and genuine societal wellbeing eludes us even in the 21st century.

Currently our oceans are severely depleted, forests are denuded, bio-diversity is being lost at an unprecedented rate and global climate change is leading to volatile weather events. The livelihoods of our poorest are under increasing risk as a result of short-term profit seeking behavior, unsustainable practices of our businesses and inappropriate or antiquated policies and institutions. Clearly, our existing practices and models in the economy and society are neither sufficient nor sustainable. The existing lens of evaluating progress – centered on measuring material wealth in private ownership – has failed us in capturing the diverse components of human wellbeing; and must evolve in order to correct itself and guide us towards a sustainable future.

The key objective of this paper is to provide readers with a framework for holistic evaluation and reporting across all four capital categories – natural, human, physical and social – followed by a deeper understanding of Social Capital and methodologies for evaluating Social Capital at a micro-economic level.

The Four Capital Framework

Traditional business and national accounting practices are presumed to reflect economic appraisal at the micro and macro levels; but fail to do so effectively due to their solitary focus on measuring changes in shareholder wealth (using Profit & Loss - P&L) and economic value added (using Gross Domestic Product - GDP) at the micro and macro level respectively. Merely focusing on P&L and GDP distorts the picture of value creation at the societal level by ignoring the costs and benefits associated with third-party impacts, or externalities. Engaging in market activities on the basis of such incomplete information leads to market failures – further affecting wellbeing.

One way to rectify this distortion is to measure these third-party business impacts across multiple capitals. By capturing the costs and benefits associated with the impacts of specific business activities across each capital category, one can begin to put together a holistic picture of the “true value” creation of businesses. The four categories of capital (as enumerated in economic literature and enshrined in the “Inclusive Wealth Reports” of the United Nations (UNEP, UNU-IHDP, 2014)) and their respective levels of ownership are summarized in Figure 1.

Figure 1. Four Capital Categories and Three Levels of Ownership: Some Examples

Capital Categories / Levels of Ownership	Physical Capital	Human Capital	Natural Capital	
Private Ownership	<ul style="list-style-type: none"> • Factories • Securities • Licenses • Patents 	<ul style="list-style-type: none"> • Health • Education • Job Skills 	<ul style="list-style-type: none"> • Mines • Fields • Private Forests 	
	<ul style="list-style-type: none"> • Market Design, Company Policy, Rules, Etiquette • Civil & Criminal Laws, Judicial System 			Social Capital
Community Ownership ("Club Goods")	<ul style="list-style-type: none"> • Community Centers • Community Schools 	<ul style="list-style-type: none"> • Traditional Community Knowledge 	<ul style="list-style-type: none"> • Community Forests • Grazing Commons 	
	<ul style="list-style-type: none"> • Community Rules, Norms, Customs, Culture 			Social Capital
Public Ownership ("Public Goods")	<ul style="list-style-type: none"> • Roads • Bridges • Public Hospitals 	<ul style="list-style-type: none"> • Public Databases • Non-patent Knowledge 	<ul style="list-style-type: none"> • High Seas Fisheries • National Parks / Forests 	
	<ul style="list-style-type: none"> • Constitutions, Judicial System, Taxation • Social Equity, Communal Harmony, Cultural Diversity 			Social Capital

Source: GIST Advisory 2018

Additionally, some literature recognizes a fifth (financial) and sixth (intellectual) category of capital¹.

Intellectual capital can also be either privately owned or community owned (knowledge and skills resident in an individual or a community) or it can belong to the public domain (such as Wikipedia information). When intellectual capital is private and tradeable (e.g., intellectual capital in the form of patents, copyrights, software, licenses, trademarks, etc.) then it is considered a form of physical capital. Intellectual capital in the form of technology is embedded in almost all manufactured items – be they as simple as a writing pad or as complex as a personal computer – and these items are also obviously tradeable, and classified as physical capital even though they incorporate technological ‘intellectual capital’.

Financial capital and manufactured capital are both man-made, can both usually be exchanged one for another, and are commonly described collectively as “physical capital”. GIST Advisory’s proposed framework considers these as part of Physical Capital, since they share common characteristics (See Table 1) and are thus technically the same.

Currently, there is an emerging trend to consider Human Capital as a sub-set of Social Capital, given the inseparable association between man and his social networks. In our opinion this is a layman’s fallacy – conflating two distinct capital categories – that goes against both scientific and economic philosophy developed over centuries.

Schuller (2001) describes human and social capitals as being distinctly unique concepts, yet, having complementary roles. According to him, a linear methodology fits Human Capital evaluation. With key inputs such as education, skill, training, etc. such a model generates direct outputs in the form of productivity, employability and income, which can be measured in order to estimate the returns on investments in education, training and health. In the case of Social Capital, there is no such linear relationship – instead what emerges is a circularity based on obligatory behavioral traits and reciprocated trust embedded in relationships and networks between different actors – which makes it difficult to quantify with accuracy the returns of Social Capital over time. Nevertheless, one cannot deny the fact that such complexities reflect closer approximations to the real world (Schuller 2001).

In the following section, we explore in further detail the evolution of the concept of Social Capital in socio-economic literature.

¹ <https://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Capitals.pdf>

Table 1. Definitions and Key Characteristics of the Four Capitals

Physical Capital	Natural Capital	Human Capital	Social Capital
<p>Physical Capital includes all man-made assets such as infrastructure (manufacturing plant, buildings, roads, dams, etc.), technology (machinery, tools, patents, etc.) and capital (bank deposits, shares, securities, currency, etc.).</p>	<p>Natural Capital can be defined as an economic metaphor for the limited stocks of physical and biological resources found on earth, and of the limited capacity of ecosystems to provide ecosystem services (TEEB (2010)).</p> <p>Ecosystem services can be further defined as the direct and indirect contributions of ecosystems (a consortium of plants, animals, microorganisms, and physical environment interacting together as a functional unit) to human wellbeing (TEEB (2010)).</p>	<p>Human Capital includes the knowledge, skills, competencies and attributes embodied in individuals, which facilitate the creation of personal, social and economic wellbeing (OECD 2001).</p> <p>Human health is a key component, as it enables individuals to remain competent in applying their knowledge and skills optimally for generating economic value for themselves, for the firm, for society and for the nation.</p>	<p>Social Capital refers to the productive value of social connections, where productive is understood not only in the narrow sense of the production of market goods and services (although this is an essential component) but in terms of the production of a broad range of well-being outcomes (Scrivens k., 2013).</p> <p>Social Capital includes durable assets such as knowledge, institutions, culture, religion, etc. (UNEP, UNU-IHDP, 2014)</p>
<p>Physical Capital can be owned by individuals, communities, organisations, and nation; and can be easily transferred from one owner to another.</p>	<p>In general, Natural Capital is not created by human activity, but their quality and capacity to yield goods and services are affected by human activity.</p>	<p>Human Capital is embodied within individuals – i.e. it is privately owned – and can only be leased to others. For example, a firm pays an employee wages for his/her skill and knowledge in undertaking specific tasks; but it cannot disembodify that skill and knowledge from the individual and own it</p>	<p>Social Capital is an enabling asset – i.e., it enables the production and allocation of assets across the other capital categories.</p> <p>Its effectiveness as an enabling asset is reflected in the shadow prices of assets across other capital categories (UNEP, UNU-IHDP, 2014).</p>
<p>Physical Capital is both productive and produced. Investments in Physical Capital (together with other capitals) increase productivity and output - thereby producing additional Physical Capital and generating returns on investment.</p>	<p>Natural Capital can be either renewable (land, forests, wind, etc.) or non-renewable (fossil fuel, mineral deposits, etc.).</p> <p>Renewable natural assets can, in principle, be maintained in perpetuity as long as their rate of extraction does not exceed their rate of regeneration.</p>	<p>Human Capital is expandable (exogenous factor). Additional training and accumulation of knowledge and skills increases the Human Capital of an individual</p>	<p>Social Capital does not belong to a particular actor (individual, community, organisation), but is rather the function of the relationship between two or more actors.</p> <p>Such functional nature makes it difficult to estimate the value of Social Capital.</p>
<p>Physical Capital is limited in use. Only a finite number of individuals may simultaneously use a particular asset at any given point in time, without diminishing the utility that it generates.</p>	<p>Natural Capital is a key input in production (raw material inputs) and ensuring continuation of existing economic activity (via regulating services to ensure consistent flow of essential ecosystem services)</p>	<p>Human Capital is self-generating (endogenous factor). Highly skilled individuals are more capable of innovating and accumulating additional learning and skills over time</p>	<p>Social Capital reflects the aggregate resources embedded within, available through, and derived from the network of relationships possessed by an individual or organisation, which are strengthened over time due to repeated interactions and trust (Andrew C. Inkpen and Eric W. K. Tsang, 2005).</p>
<p>Physical Capital (such as infrastructure and technology) have fixed lifespan over which they can be repeatedly used to produce additional capital before wearing out or becoming redundant – i.e., they depreciate over time</p>	<p>Natural Capital assets have high degree of interdependency. Loss/gain in one regulating ecosystem service leads to losses/gains in multiple dependent provisioning services – leading to cumulative impact on human wellbeing.</p>	<p>Human Capital is transportable. People can easily travel across geographies / organisations / enterprises and take their knowledge and skills with them</p>	<p>Individual actions can lead to strengthening / erosion of trust (i.e., Social Capital) – thereby leading to tangible changes (positive or negative) in the level of access to aggregate resources availed through networks.</p>
		<p>Human Capital is sharable and non-depreciating. Knowledge and skills can be shared across individuals via training and this does not lead to any depreciation in the value of the knowledge or skill to original owner</p>	

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Conceptual Evolution of Social Capital

In recent years, “Social Capital” has become one of the most popular exports from the field of sociology into general parlance. However, with its increased linguistic use and practical application to our lives; it has somewhere along the way lost its conceptual clarity. “Social Capital” today is used varyingly as a term as well as a concept.

In the centuries preceding the first recorded definition of Social Capital (which surfaced in the early twentieth century), there existed several concepts of Social Capital without a specific term and an accompanying definition. On the contrary, ever since the incorporation of the term “Social Capital”, there have been several instances of attributing unrelated concepts – most notably, by economists Alfred Marshall and John Hicks, who used “Social Capital” only to distinguish between “temporary and permanent stocks of Physical Capital” (Woolcock, 1998)

Political economists and philosophers have flirted with the concept of Social Capital for over two centuries. The founding fathers of political economy, Adam Smith and David Ricardo attempted to look beyond automated market mechanisms (the fabled “*invisible hand*”) to understand what it was that made these markets run as smoothly as they did. They pinned down, crucially so, political and economic associations such as corporations, trade unions, communes, cooperatives, etc. as necessary facilitators of business. In their opinion, irrespective of what primary purpose these associations served, competing or complementary, they were important in begetting Social Capital.

A seminal attribution in the evolution of the concept of Social Capital is that of Karl Marx (1867), who speaks of “*Gesellschaftliche Kapital*” in his magnum opus *Das Kapital*. He attributes this to a group fund – an aggregate of peoples’ individual capitals – which could be used for future production. His concept of class consciousness wherein the “*class in itself*” (i.e., all labour class share the same relation to means of production) converts to “*class for itself*” (i.e., all labour class form networks and come together to gain consciousness), is a clear reference to Social Capital in the economy.

Noted American economist John Bates Clark (1885) recognized that in business dealings, the seller depends not only on “*material nature*” to derive his product, but also on “*his relation to other men*” to be able to conclude a successful transaction.

English philosopher Henry Sidgwick (1883) and economist Alfred Marshall (1890) refer to Social Capital within the context of classical political economy, although in a slightly different conceptual sense to Marx and Clark. Sidgwick introduced Social Capital as “*capital from the social point of view*”. He considered Social Capital to be an aggregate of all material elements such as “*roads, bridges, and the organisation of the state*” and of immaterial elements such as “*goodwill*”. Marshall, builds upon this further by adding human skill as an aliquot to the larger framework of Social Capital based on the understanding that, “*general education helps adapt the mind to use its best faculties in business.*”

In 1893, French sociologist Émile Durkheim introduced the term “*collective conscience*” to bring to fore the role that common belief and moral systems play in unifying people to create stronger communities (Durkheim, 1893). . He emphasizes on the involvement in group life as a corrective to anomie (i.e., breakdown of bonds between individuals and the society in which they live), and in doing so makes the seminal contribution of inclusion of peoples’ networks and relationships as an indispensable and fundamental part of their Social Capital.

The origin of the term in its present conceptual sense – as an intangible resource born out of social networks and relations – can be traced to Dewey (1900). He stressed that the “*individual mind is a function of social life*” and that school subjects needed to be taught to children in connection with their social life, not as a “*mechanical drill*”.

Sociologist Pierre Bourdieu provides the first detailed treatment of Social Capital with his relatively clear description of Social Capital as being, “*the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition*” (Bourdieu, 1985). Bourdieu also tried to address the age-old question of whether society is a product of individuals, or individuals a product of society? He initially insisted that social networks and linkages are not a natural given, but are instead formed as a result of carefully deliberated individual investment strategies. Individuals choose to be involved in groups to become a part of a socially reliable source of continued benefits (Bourdieu, 1985) .

Coleman provides a more functional description of Social Capital by defining it as, “*not a single entity, but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors – whether persons or corporate actors – within the structure*”. (Coleman J. , 1988) (Coleman J. S., 1990)

But, as Farr (2004) notes, the credit for the “*spillover of social science into popular culture*” is due to Robert Putnam (2000), who made the term “*Social Capital*” trendy through his phenomenally successful book, *Bowling Alone: The Collapse and Revival of American Community*. In his book, Putnam brings to light the declining engagement of Americans in civic organisations such as labour unions, religious groups, and fraternity organisations which facilitate participation in civic discussions and interactions and are essential for ensuring the health of democracy.

Post-Putnam, there has been a revival in general interest and research in identifying and measuring the principle sources and effects of Social Capital. This has in many ways, as an unintended consequence, led to misuse of the term “*Social Capital*” – best captured via Furstenberg’s and Kaplan’s (2004) remark that, “*the idea of Social Capital, while attractive, is being used so promiscuously that it is on the verge of becoming quite useless in empirical research. Unlike its conceptual cousin, Human Capital, Social Capital has achieved no common definition, much less common measurement.*”

There is however an understanding amongst individuals, civil society, governments and corporations, that focus must be placed on protecting and developing our Social Capital. Therefore, to help facilitate a global discussion on Social Capital, the Organisation for Economic Co-operation and Development (OECD), has attempted to summarize the key aspects of Social Capital, by defining it as, “*the productive value of social connections, where productive is understood not only in the narrow sense of the production of market goods and services (although this is an essential component) but in terms of the production of a broad range of well-being outcomes*” (Scrivens k., 2013). GIST Advisory adopts this definition of Social Capital as part of our adoption and use of the widely accepted four capital framework.

Although this section attempts to provide a brief summary of the evolution of the concept of Social Capital, it is by no means exhaustive. Going forward, we encourage our readers to explore in more detail the vast literature on Social Capital, its conceptual foundations and methodological frameworks. In the next section, we explore the normative aspects and evaluation methodologies applicable to Social Capital.

Normative Analysis of Social Capital

Given the highly complex and densely interconnected nature of linkages, interactions, networks and relationships between individuals and within groups, it is infeasible to prescribe a linear methodology for Social Capital.

Take the simple case of an employee at an organisation. As part of the organization's formal network, the employee benefits from access to multiple resources including training, technology, equipment and tools, brand value, health and safety policies, etc. – all of which together enables the employee to improve and exercise his/her skills; maximize productivity; achieve targets; and earn income and professional growth for oneself and profits for the organisation (based on principle of reciprocity). At the same time, our employee also benefits from the personal relationships that he/she cultivates at the organisation – i.e., the friendships he/she forms; the professional contacts he/she makes; etc. Suppose our employee were to leave the organisation today; he/she would lose access to a whole range of benefits provided by the formal network; but at the same time, he/she would continue to retain the benefits accruing from personal relationships. At any given point in time, it is extremely difficult for us to ascertain the exact contribution of each network and relationship to our individual's performance. Now imagine the complexities and benefits accruing from multiple networks, relationships and linkages on a collective / macroeconomic scale.

Social Capital is seen as embodied within the linkages, networks, relationships between individuals and within groups. These are generally based on mutual trust and cohesion; strengthened over time with multiple interactions leading to mutual benefits. The cohesiveness of the network linkages plays a significant role in Social Capital creation. When bondages are strong, and networks firmly bound, it leads to generous amounts of reciprocities; but at the same time the resulting restrictive nature of these networks may lead to loss of freedoms, which can be detrimental to members' well-being (for example the creation of an elite network that bars non-elites from participating). This “*dysfunction*” can lead to significant negative externalities. Hence it is essential to apply a critical and an ethical lens to Social Capital creation (Merton, R.K. 1968 [1949]).

In order to ascertain genuine social progress, which reflects quality over quantity, one must analyze its impact on human wellbeing. Apart from the fulfillment of basic needs, wellbeing comprises of various dimensions - the ability of individuals to access the materials and resources

required to fulfill these needs; the access to opportunities to fulfill their aspirations and achieve their individual potential and the ability to practice their individual and collective freedom in choosing what constitutes their wellbeing. It is both “*functioning*” as well as “*capabilities*”, which together define wellbeing (Sen, 1985).

The enabling feature of Social Capital dictates that impacts resulting from an increase / decrease in Social Capital are experienced as quantifiable changes in the other three capital categories. In our earlier example of the employee; he/she benefits from access to a formal network, which leads to an increase in the Human Capital value of the employee. In exchange, the organisation benefits from productivity gains of the employee and earns profits (Physical Capital).

For organizational use and from an internal or external reporting perspective, there are two approaches to identifying, measuring, reporting and disclosing the impacts of business activities across the four capital categories. The first is a “*drivers-based*” approach, based on the “*drivers>outcomes>impacts*” framework. Under this approach, we first identify material drivers of externalities, which lead to tangible changes in the bio-physical composition of Natural Capital; quality of Human Capital; and enhancement / erosion of social networks. The impacts associated with such outcomes are captured in the form of natural, human and physical capital impacts; but reported under the driver which generates it to begin with.

For example, increasing sulphuric emissions from nearby industries (driver) has led to increase in concentration of air pollution in the region (primary outcome) and caused significant yellowing (secondary outcome) of the Taj Mahal – a famous marble monument located in Agra, India. The economic impact of this yellowing can be captured by estimating the property damage to the Taj Mahal (Physical Capital) and the decline in local livelihoods (Human Capital) dependent on tourism. In this case, the initial Natural Capital driver is emissions of Sulphur from industries, which has led to impacts captured across both Physical Capital as well as Human Capital. Under a “*drivers-based*” approach, we disclose the economic costs of both impacts under Natural Capital externalities.

Alternatively, under the “*impacts-based*” approach, we would report the above impacts under Physical Capital and Human Capital respectively. The “*impacts-based*” approach is consistent with the Inclusive Wealth Report (IWR) framework developed by the United Nations University, International Human Dimensions Programme (UNU-IHDP) and United Nations Environment Program (UNEP). This framework supports multi-capital reporting at the macroeconomic level, by replacing existing GDP-based system of national accounts with an inclusive wealth account

comprising of an economy's aggregated contributions to manufactured capital, human capital and natural capital.

From a corporate perspective, the “*drivers>outcomes>impacts*” framework delivers greater value as it enables the corporation to estimate the externalities associated with material drivers over which it has operational control and leverage. Going forward, this allows corporations to develop strategies for mitigating their negative externalities and maximizing their positive externalities across each capital category.

Also, under the “*drivers-based*” approach, we assess each driver separately and report its impacts under the respective driver. This ensures that there is no offsetting across different capital categories. To elaborate, in the above described case of the Taj Mahal, if the polluting industry were to undertake a CSR program wherein it provides meals to children in local schools; it would typically generate considerable positive Human Capital externalities. Under the “*drivers-based*” approach, since the activity is driven by the polluting firms' CSR; the economic value of benefits are accounted under Social Capital, despite the impacts being on human health. However, if we were to follow the “*impacts-based*” approach, the health benefits from meals for local school children would be reported under Human Capital, as would the economic costs of loss of livelihoods due to decline in local tourism to the Taj Mahal. Consequently, from a reporting perspective the net Human Capital impacts would off-set the economic benefit from meals with the economic cost of loss of livelihoods. Given that these are both incomparable aspects of human wellbeing, such off-setting not only encourages unsustainable trends and distorts reporting, but is also unethical, in our opinion.

Economic Valuation Methodologies for Social Capital Assessment

Given the highly contextual nature of Social Capital, till date there is no consensus among social scientists and business practitioners on a single methodology which encapsulates the diverse range of impacts associated with Social Capital. It is well-recognized that one requires both qualitative and quantitative measures for truly capturing the essence of Social Capital. Elements of human behavior such as trust, loyalty, freedom, etc. are highly subjective and cannot be generalized or quantified. However, the changes experienced in individual and collective wellbeing as a result of improvement / deterioration in such elements can surely be measured and monetized (where appropriate).

Qualitative assessments of Social Capital are well documented in economic literature. For example, Putnam (2000) developed a weighted Social Capital index for the American Society focusing on people’s participation in formal and informal institutions (See *Table 2*).

Table 2. Putnam’s Social Capital Index

Components of a comprehensive Social Capital Index	Correlation with Index
Measures of Community Organisational Life	
Serves on a committee of local organisation in the last year	0.88
Served as office of some club or organisation in the last year	0.83
Civic and social organisations per 1000 population	0.78
Mean number of club meetings attended in last year	0.78
Mean number of group memberships	0.78
Measures of engagements in public affairs	
Turnout presidential election, 1998 and 1992	0.84
Attended public meeting on town or school affairs in last year	0.77
Measure of community volunteerism	
Number of non-profit organisation per 1000	0.82
Mean number of times worked on community project in last year	0.65
Mean number of times did volunteer work last year	0.66
Measures of informal sociability	
Agree that “I spend a lot of time visiting friends”	0.73
Mean number of times entertained at home in last year	0.67
Measure of trust	
Agree that “Most people can be trusted”	0.92
Agree that “Most people are honest”	0.84

Source: Putnam, *Bowling Alone*, 2000

Through this index, Putnam studies various correlations between the status of Social Capital in society and its effects on various professions. He observes that when Social Capital index dips, number of lawyers goes up. Other correlations established by Putnam include improvement in school performance when Social Capital index was high; dip in violent crime rates when the social index goes up; less time spent watching television by children in high social index states; etc. This shows that building robust indices can help in representing the Social Capital data in a more meaningful way. (Putnam, R., 2001).

Other noteworthy developments in Social Capital indexing include the Social Capital Assessment Tool (SOCAT) developed by the World Bank²; measures of Social Capital³ developed by the United Kingdom's Office of National Statistics (ONS); and Green et al. (2000)⁴.

Data collection poses a formidable challenge in Social Capital assessments. Given the highly subjective nature of responses and frequency of change in individual behavior; it is challenging to build databases on qualitative parameters such as mutual trust, cooperation, participation in activities, etc. Also, any qualitative questionnaire developed for data collection is subject to both observer bias and respondent bias, especially when dealing with a large population set.

In certain cases it is indeed possible to quantify, and even monetize, the impacts of changes in human wellbeing as a result of improvement/deterioration of Social Capital between the stakeholders. This is achieved through the use of appropriate economic valuation methodologies listed in

Table 3.

² SOCAT is essentially an extensive qualitative and quantitative survey questionnaire focusing on community profile that assesses several dimensions of Social Capital at the community level; household survey that assesses the stock of structural and cognitive Social Capital at the household level by generating quantifiable indicators; and an organizational profile that helps in delineating relationships in formal institutions to those in informal institutions. (Krishna & Shrader, 1999):

³ Expanding on the preliminary work done by OECD, the ONS prescribed a list of 25 measures of isolated aspect of Social Capital categorized under four key sub-concepts – personal relationships, social network support, civic engagement, trust and cooperative norms. (Sieglar, 2015)

⁴ Green *et al.* (2000) in their study of Social Capital, health and the economy in South Yorkshire communities developed an empowerment index based on residents' degree of control over decisions and also a trust index.

Table 3. Economic Valuation Methodologies

Valuation Approach	Valuation Methodology	Values Captured	Benefits of Methodology	Limitations of Methodology
Reveled Preference	Market price	Direct and indirect use	Market data available and robust	Limited to market goods and services
	Cost-based (avoided cost, replacement cost, substitution cost)	Direct and indirect use	Market data available and robust	Possible overestimation of actual value
	Hedonic pricing	Direct and indirect use	Based on market data	Very data intensive and limited to data related to property
	Travel cost	Direct and indirect use	Based on observed behaviour	Limited to recreation and problematic for multiple destination trips
Stated Preference	Contingent valuation	Use and non-use	Captures all use and non-use values	Potential bias in response, hypothetical markets, resource intensive
	Choice experiment	Use and non-use	Captures all use and non-use values	Potential bias in response, hypothetical markets, resource intensive

Source: Compiled by GIST Advisory 2018

To illustrate, consider the case of an organisation which as part of its social outreach provides subsidized door-to-door healthcare to populations living in rural communities with little or no access to public and private medical facilities. The gains in human wellbeing as a result of such a program can be captured via improved health of the target populations (i.e., Human Capital), the resultant direct and indirect economic benefits accruing to them due to cheaper (avoided cost of medicine) and easier (avoided cost of travel) access to regular medical care and productivity gains (income benefits due to reduction in man days lost due to disease). Each individual household in the region availing healthcare under this program does so because it has cultivated a relationship of trust with the organisation (based on repeated interactions and self-assessment of intentions, quality, etc.); and as a result benefits from the above listed impacts. In summation, these reflect the economic value of benefits generated for households – due to Social Capital creation by the organisation.

Conclusion

In this article, we explore the evolution of the concept of Social Capital in socio-economic literature in an attempt to establish its unique identity separate from other capitals and analyze it from a normative perspective.

As we move towards a common framework for social capital assessment and integration within our business and national accounting and reporting practices; it is important to note that despite the many hurdles, developing social capital assessment tools are indeed feasible. Although there is no bespoke methodology that can positively capture the multitude of contexts and interconnectedness of Social Capital creation, the existing economic valuation methodologies can be applied to capture impacts on stakeholders' wellbeing.

Even though there has been considerable progress in defining the concept of Social Capital and its implementation in terms of developing indices and calculating social returns on investment (SROI), there is a vast scope for further research which we hope will help us develop more robust databases and methodologies in future.

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