

**The Risks of Social Capital**  
**A Response to the Mid Term Report on 'Social Finance and Social Ties'**  
**based on Some Experiences from Sri Lankan Villages**  
**By**  
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(This note derives from the experience of the People's Rural Development Association (PRDA), a Sri Lankan NGO which has an 'Economic Initiatives' programme in 40 Sri Lankan villages).

The mid-term report focuses on the benefits of social capital. It does not adequately discuss its risks. Social capital can sometimes be dysfunctional and counter-productive.

- 1. A high density of internal relationships and a high intensity of trust within a group can result in the fragmentation of a higher level community, depending indeed on the quality of the norms and beliefs that bond the group / lower level community together.**

A Sri Lankan village community (termed, a 'higher level community') is composed of a number of overlapping sub-communities or groups (termed 'lower level communities'). The latter consist of kinship groups, caste groups, social factions (called 'kalli'), neighbourhoods and so on. A village level PRDA 'samiti' (or Community Based Organisation – CBO) is composed of one or more such lower level communities. PRDA uses social finance to strengthen the interrelationships, norms, trust, solidarity, and informal structures etc that bind together the families that compose the CBO. In other words, to further strengthen the social capital of the CBO.

PRDA finds that the strengthening of the social capital (i.e. solidarity, internal inter-relationships, networks etc) of such lower level communities is strengthened, there is set in motion a tendency for the solidarity or integration of the higher level community to weaken. That is, a tendency towards the fragmentation of the higher level community around strong solidarities and special interests.

PRDA also finds that the above tendency is either mitigated or else it is further encouraged by the quality of the norms and beliefs that hold together the social capital of the lower level community and guide its actions. In certain villages, the norms and beliefs that are shared by the members of specific lower level communities that form the CBO are insular and inward-oriented. In the case of other villages, the shared norms and beliefs of the CBO were seen to be more open – thus affording the possibility of stronger integration into the higher level community.

- 2. The over- strengthening of ties of trust and solidarity within a local network / lower level community can result in the virtual closure of the network. This can lead to its virtual insulation from the higher level community and from the external social, economic, cultural and political environment which in turn can be very damaging to the local network / lower level community.**

PRDA has experienced such a risk in villages, especially where the CBO is composed of one or more solidarity groups which are held together by strong emotional bonds such as those of caste or kinship. This risk is all the more when the rest of the larger / higher level community – e.g. The village community as a whole – harbours negative emotions (e.g. hostility, jealousy, suspicion) towards the lower-level community.

In the above circumstances, the strengthening of social capital (trust, solidarity, internal relations etc) within the lower level community can result in enhancing its insularity and the concomitant weakening of its interaction with the higher level community (e.g. The village community) on the one side and the external world (the broader economy, society and polity) on the other.

In such situations PRDA has seen how the increasing of local solidarity can lead to a virtual closure of such local networks which in turn results in inertia. It has also been seen that the more closed a network becomes, the more does it act as a block to the flow of new information and ideas from other structures, networks and solidarity groups.

PRDA's experience is that 'ties that bind can turn into ties that blind'. Too much trust in local solidarity and too great a loyalty to existing informal and formal structures (i.e. too great an intensity of social capital) can isolate the local solidarity group to the extent that it fails to adapt itself to changes in the external economic, political, cultural and social environment. This can eventually make the group vulnerable to total extinction because of its over-dependence on its own social capital.

PRDA experience has shown that in some villages the strengthening of social capital at the level of lower level communities can lead to the growth of several lower level communities with strong internal linkages backed by a strong sense of social, emotional and even economic and political self reliance. In contrast, these lower level communities are linked to one another and to the higher level community (such as the larger village community) by weak external linkages. In the circumstances of a developing economy where solidarity of higher level communities (e.g. Village communities) is what is needed in order to confront, bargain and negotiate with the forces of the external (neo-liberal?) economy and society with which local economies and societies are being increasingly integrated, the strengthening of the internal linkages (social capital) of lower level communities can be counter-productive for the communities themselves.

- 3. PRDA's experience has identified 3 types of social capital in Sri Lankan village communities. They are – 'structural social capital' (consisting of formal and informal networks and groups, roles, rules, procedures); 'lower level cognitive social capital' consisting of values, norms and beliefs that are specific to the local level – i.e. To the 'little tradition') and 'higher level cognitive social capital' consisting of the national or civilizational norms, beliefs and values that have their origin in the 'great tradition' to which the country belongs. Conceptually it is useful to separate these 3 kinds of social capital one from the other. The strengthening of 'structural social capital' in the form in which it exists at community level can be on its own, dysfunctional and counter-productive. On the contrary, an intervening agency such as an NGO should have as its objective the building of new social capital supportive of larger social objectives by facilitating the enhancement of specific, selective components of the 3 types of existing social capital that will help the community to reach defined social objectives.**

Relationships, mutuality, roles, rules, procedures, networks etc as social capital, exist at the structural realm. Shared norms, values and beliefs as social capital exist at the psychological or cognitive realm.

The 3 types of social capital defined earlier are not necessarily supportive of one another. Within each type are certain elements that are supportive of the other types of social capital. Also within each type are elements that contradict and negate the other types of social capital. These 3 types of social capital do not always support and strengthen each other. Rather, they often act in a dialectical relationship to each other.

For instance, PRDA finds in a certain village, groups for collective action formed round influential leaders or faction leaders and consisting of such leaders and their supporters or followers. Trust and solidarity binds the members together. This is an example of structural social capital. The 'little tradition' or code of local level norms and values, on the other hand, endorses the value of 'neighbourhood groups as the basis for collective action. Now, since 'factions' run across neighbourhoods creating disunity within neighbourhoods, the cognitive social capital deriving from the local code of norms and values contradicts the structural social capital of the very same community. Now again, the 'great tradition' of the nation's civilization norms, values and beliefs that derive from the national code of values endorses community oneness and equality of all irrespective of differentiated interests – and this category of cognitive social capital is also very much present at the psychological or moral level in the community. This particular cognitive social capital runs counter to both the other categories of social capital present in the very same community. Thus, in situations such as this one, it is a dialectic that relates the 3 types of social capital to each other.

Thus, to support and strengthen any one type of social capital in a community could result in the weakening of the other types of social capital as they do not necessarily operate in a relationship of mutual re-enforcement as is generally assumed to be the case.

Thus, an intervening organization such as PRDA which uses social finance to strengthen social capital in a community should follow the following steps: First, understand the nature of the 3 categories of social capital existing in the community and the dialectic that relates them, one to the other. Second, having clearly decided on the quality of social interaction – based on social objectives – that it would like to support, PRDA should design the management of its interventions in such a way that the dialectic that relates the 3 types of social capital to each other is creatively guided towards a realization of the social objectives of the intervention.