Social Capital and Poverty Alleviation: The Case of Bangladesh

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1. Introduction

Recent decodes have witnessed a marked acceleration of micro-industrialization processes in much of the developing world. Tins is opening up new opportunity for small-enterprise, even in isolated areas, to escape poverty by trading in the resulting new markets. There is, however, increasing recognition of the constrain faced by poor micro-enterprises in becoming competitive within such markets. There has also he CM deepening awareness of the knowledge gaps impeding the design of institutional arrangements capable of surmounting these constraints. The concept of 'social capital' has found itself at the centre of efforts by scholars, policy makers and practitioners U; understand and develop institutional interventions that might help the poor share equitably in the fruits of economic growth yielded by micro-industrialization.

Economic development is the most important goal of almost all economies, if the wealth of a nation increases, and that, in turn, is usually triggered by economic growth. The wealth of nations is usually measured by GDP per capita, adjusted for purchasing power party (PPP). The HDI includes sub-indices of GDP, life expectancy and education, covering therefore also the human (capital) aspect of the development this process depends not only on durable growth of economic indices, foul also on health as well as other social and cultural indices (Sen 1999). In addition to natural capital, the society should also supply future generations with a sufficient amount of human and social capital. For a joint assessment of the impact of human and natural capital, the World Bank suggests to use the index of adjusted net savings. This measure is derived from GDP by subtracting the- consumption and net amortization of physical and natural capital and then adding net investments into human capital (WD1 20011 But adjusted net savings, also, do not include social capital (which, in fact, becomes an increasingly important factor of development as the society moves to higher welfare levels).

1.2 Human capital and the need for redistribution

Romer (1986) and Lucas (1988) added human capital into endogenous growth Models and following empirical work has proved that human capital has a strong explanatory power in growth regressions However creating, human capital cost much. Investments into human capital through health and education expenditures will result in decreased current consumption levels. People with low income are often not able to invest enough into human capital and then choices of further life path are therefore restricted. To some extent, income inequality is unavoidable, as people have different abilities when entering the society's life. It is known that, theoretically, redistribution of a society's it-sources is inefficient from the viewpoint of growth perspectives (at least m the short run). On the other hand, redistribution of a society's resources would diminish income inequality and therefore increase social cohesion, which, as discussed later, is usually beneficial for economic development. The state should therefore implement redistribution policies in order to avoid very steep inequalities and to provide all people with access to the service-, that arc needed for creating, maintaining and improving human capital such as education and health care.

1.3 Rural development in a globalizing world

Integration of markets around the world has been underway .since at least the early 9th century. However, it has accelerated to an extent in recent decades that it has becoming known widely as ' globalization' (Borghesi et al. 2003). This process has been, and remains, driven by agents striving to enhance their competitiveness by reducing their production costs through economics of scale, division of labor, and specialization.

In so far as market integration has been driven by rewards from division of labor and specialization, thus increasing the need for market exchange, it has been constrained by the transaction costs of this exchange (North 2005). Its dramatic acceleration in recent decades can be attributed to reductions in transaction costs brought about by new information and communication technologies including television, communication satellites and the internet (Borghesi et al 2003), and by policy reforms over the last two decades seeking to liberate international trade from government restrictions (Mcseguer 2006). At the same lime, market liberalization is raising the pressure on agro industrial enterprises in developing countries, and the farmers supplying them, 1o i-umpcti[1] internationally rather than just locally or nationally. The other tendency involves increasing demand for high-value and processed food products as a consequence of rising income levels and demographic changes (e.g. urbanization and increased female participation in the labor force). The smallest and poorest landholders often miss out on the market opportunities opened up through contracting, however, because the high transaction costs of contracting them compared with larger landholders due to fixed transaction costs incurred per contract) tend to outweigh any production-cost the former might offer.

1.4 Social capital and poverty alleviation

Putnam (1993) defined social capital as features of social organizations, like trust, norms and interpersonal networks, that improve their efficiency by facilitating coordinated actions. Since the mid 1990s, me concept has found rapid and widespread acceptance in (he social sciences, among both practitioners and academics Within development policy circles, its popularity comes in large pan from its apparent identification of a previously overlooked resource to be harnessed for poverty alleviation. In addition, the concept'-, economic framing has brought opportunities for social scientists to turn the attention of traditionally economics-focused policy markets in these circle more towards social issues that had been sidelined previously us non economic.

Although the term 'social capital' has recent origins, the phenomena to which it refers have attracted social scientists' attention for appreciably longer Whether it adds anything to the analysis such phenomena has been a matter of debate among social scientists. A particular concern has been with its lack of a clear definition. Authors including Roison et al. (2002a), Robison et al. (2002b). Schmid (2002) and Uphoff (2001) highlighted the too common failure to distinguish the causes of social capital from its effects Uphoff (ibid) was concerned at some analysts' inclusion of cooperation as an element of social capital, arguing that cooperation is an effect of social capital rather than itself part of social capital. The other authors went further in following Woolcock's (1998) recommendation that social capital be defined by its sources not its consequences 'I hey argued that the real source of social capital lies in emotions like sympathy, affinity and caring, which raises the efficiency of collective actions beyond that possible from selfishly-motivated reciprocity. Despite the continuing lack of consensus on ;i definition for social capital, Uphoff (2005) recognized that scholarship on this concept remain[1]; in its early years, and concluded it would make a useful addition m social science theory provided it is applied more rigorously in the future He suggested that a more rigorous approach begin with recognizing social capital - like we do with physical, financial, human and natural capital - as a particular category of assets rather than as something itself real. The particular assets comprising social capital then must be distinguished from the benefit stream flowing from them, which he specified as mutually beneficial collective action. For analytical purposes, he argued it is useful to distinguish the assets comprising social capital into two subcategories: cognitive and structural. The assets comprising cognitive social capital are mental states and representations. These include norms, values, attitudes and beliefs that predispose people towards collective action. The assets comprising structural social capital are those that derive from social structure and organization - such as roles, rules, precedents and procedures and which facilitate collective action. Uphoff emphasized that the two subcategories are complementary, with most real-world manifestations of social capital containing both.

Cognitive forms are less observable because they exist in people's minds as thoughts am) emotions. Given the resulting added difficulties of analyzing cognitive forms, and the fact that the two forms are so interconnected and interdependent, Uphold argued that it makes sense to account equally for structural forms when the time comes for analysis A methodology he helped develop that accounts for both forms in analyzing the effects of social capital is described and applied empirically in Krishna et al. (I999b) and Krishna (2002). Considerable efforts have already been made by social scientists lo determine empirically whether and how the social capital of rural communities affects then economic and social performance. An early study by Narayan et al. (19991 focused on

Tanzanian rural households and found (hat household expenditure was associated positively with access to social capital. Grooiam (1999) examined how the social capital of rural households, particularly as expressed by their memberships in local associations, affects household welfare and poverty in Indonesia. For low income households, he found that returns to social capital were higher than returns to human capital. The reverse was true for higher income households. Winters ct al. (2002) analyzed econometrically how the asset positions of rural households the Mexican *ejido* sector affect their participation in, and returns from, income-earning opportunities. They found that household social capital plays a critical role in these respects, but that the nature of the role can vary according to the type opportunity and the type of the social capital.

1.5 Micro-level social capital

Social capital includes networks together with shared norms, values and understanding that facilitate co-operation within or among groups (OECD 2001: 41). Social capital formation and effects could be analyzed at different levels: micro-level (interpersonal trust and informal relations between individuals), macro-level (community of identity) and macro-level (regional, national, international networks and institutions). Most of the empirical work al the micro-level has proved that both trust and civic cooperation are associated with stronger economic performance (Putnam 1993 Fukuyama 1995)') Helliwell and Putnam 1995, Knack and Reefer 1997, Hjerppe 2000, Zak and Knack 1998,1,a Porta ct al 1097), while the effects of associational activity are more ambiguous The positive effects of a group membership appear mainly at the regional level (Putnum 1993, Bcugclsdijk and Schaik 2005), while cross-country analyses usually do not show any correlation between participation and economic performance (Helliwcll 1996 Knack and Keefer 1997). However, Raiser ct al (2001) have found that unlike in market economies, generalized trust in transition countries is not positively related to growth. While participation m civic organization;, shows a positive correlation. Also, participation is directly related to life satisfaction at individual level (Arts and Halman 7004). It has been argued mat social capital complements the market in its allocative and distributive functions, thus helping to reduce transaction costs. According to Putnam (2000), the social networks generated through participation in local associations, voluntary organizations and groups open up channels for the flow of philanthropy and altruism, which, in turn, foster norms of individual and general reciprocity. This way, social capital facilitates economic exchange by reducing transaction costs, as fewer resources and wasted for formal contracts and monitoring besides lower transaction costs, social capital also reduces information costs and risk, and helps to avoid moral hazard and adverse selection (Meier 2002). Trust and norms can provide an implicit understanding that discourages opportunistic behaviour, effectively 1'illing the gaps in complete contracts and thereby supporting valuable specialized investments (L.yon 2005) On tin- other hand, the efficiency of markets itself may undermine the existence of social networks in the long run. If the path of development is supported by solid court system and contract enforcement, then large anonymous markets can be more efficient than informal networks, with gains For all participating economic agents (Grootaert 1998).

1.6 Macro-level social capital

Macro-level social capital refers to the governmental institutions that influence people's ability to cooperate for mutual benefit (Knack 1999). This broader approach to social capital relics on the work of Olson (1982) and North (1990). In more detail, governmental social capital embodies the rule of law, contract enforcement, the absence of corruption, transparency in decision-making, an efficient administrative system, a reliable legal system - in short, state capability and credibility (Meier 2002). In broader context, the effectiveness of government performance depends on social cohesion; winch in turn has its roots in ethnolinquistic fractionalization of the society and unequal mcunu[1] distribution (Rupasmgha 2002). There is a complex relationship between micro- and macro-level social capitals. Besides the micro-economic impact channels described above, civil social capital can influence economic performance also through macro political channels {Knack 1999). Empirical evidence shows that micro-level social capital can strengthen democratic governance (Almond and Verba 1963), increase the efficiency and honesty of public administration (Putnam 1993. Knack 2002), and improve the quality of economic policies (Easterly and Levine 1997). Presupposing that macro to-channels are important for realizing the positive effects of civil social capital, we are subsequently going to analyze the relationships between economic development, formal institutions, social polarization, and income distribution. Concerning the causality issues, Kormendi and Meguire (1985) found that civil liberties influence economic growth almost entirely through investment rates, while Bilson (1982) argued that economic performance determines freedoms, rather than the other way around. Helliwell (l994) and Barro (1996) found that Gastil indices were positively related to growth only if variables like educational attainment and investment rates are omitted as explanatory variables, implying that any beneficial impacts of democracy on growth may operate through these factor accumulation channel. However, the criteria used for constructing Gastil indices were primarily political rather than economic in nature and later these were supplemented and/or replaced by several other indicators of institutional environment, For instance. World Bank introduced the credibility index as a measure of social capital that was positively related to a higher level of economic growth and investment (World Bank 1997). Empirical Study by Rodrik (1997) showed that an index of institutional quality explains well the ranking among Hast Asian countries by then growth performance. Several studies have found that subjective political risk ratings have a strong explanatory power for growth and private investment (Knack and Keefer 1995, 1997; Mauro 1995). Kaufmana and Kraay (2002) measured quality of governance by six composite indicators and found that it correlates strongly and positively with per capita incomes across countries. Many authors also acknowledged and tested (with varried results) the potential for reverse causality from economic performance to institutional quality (Knack and Keefer 1995, Chong and Caldeion 1997, Maiuo 1995). Summing up, all of these studies point to a significant and positive relationship between good governance and growth, with strong indications that the former causes the latter. Farther several studies have focused on ethnic divisions and inequality as sources of slower growth through their impacts on trust, social cohesion, and economic policymaking.

1.7 Trust and Mistrust

In spite of the fact that trust and mistrust have been analyzed in sociology, psychology, political science, economics, and anthropology Lewieki and Bunker, (1996. 115) there are different and overlapping ways to define them. Lewieki and Hunker (1996. 115 l16) Aggregate these definitions into three groups which are personality theories (individuals readiness to trust), institutional theories (institutions structuring trust), and views from social psychologists (interpersonal transactions as a source of trust).

Creed and Miles (1996:19) define trust as 'embedded predisposition to trust characteristic similarity and experiences of reciprocity or their combination'. Kipnis (1996: 40) argues that trust is an outcome of how we feel about being trusted and about having to trust other people. Whitney (1996: 16) sees trust as 'the belief of confidence in the honestly, integrity, reliability, and justice of another person or thing'. For him trust is conscious certainty, situational, and a continuum with no clearly recognizable demarcations. Another factor which is emphasized in trust characterizations is vulnerability. To Baier (1986: 235) trust is 'accepted vulnerability to another's possible hue not expected ill will or lack of good will toward one'. Shaw, for instance, sees trust as 'belief that those on whom we depend will meet our expectations of them'. In the same sense as Shaw, £and (1997: 91) argues mat 'trust consists of a willingness to increase your vulnerability to another person whose behavior you cannot control, in a situation in which your potential benefits is much less than your potential loss if the other person abuses your vulnerability'. A key task of management is, among other responsibilities; lo cultivate trust in and between the people in the organization. Valla (1997: 112 113) recommends four strategies to management to develop appropriate human interaction:

. The choice of participants in the interaction
. The interaction process
, the atmosphere of the interaction
. The environment of the interaction

Mistrust, conversely, alienates people from each other by weakening their willingness in cooperate and collaborate. Mistrust also weakens people's motivation, creating a situation in which management must increase direction and control in order to get necessary things done. And when management assumes this task it may create more problems than it solves, because it leaves the roots of mistrust and does not eradicate them. Even in the short term mistrust can thwart human, innovative, and productive work. It is possible that there is more room for mistrust m all organizations because trust-based relationships are usually diffuse, fragmented, extremely volatile, and often rather ineffective considering the targeted performance (Savall and Zardet, 1997: 139).

1.8 Common property and competitiveness of the poor

Given the difficulties of the individual small-enterprises accessing new markets contracts due to high transaction costs, some scholars have turned their attention to the potential of small- enterprises acting as a group to achieve the economies of scale needed to reduce these costs to competitive levels. For instance. Thorp et al, (2005 p.907) concluded that 'group formation has great potential to empower and raise the incomes of poor people'. Acceptance by policy makers of such 'common property' institutional arrangements, as a complement to conventional options involving individual and slate property rights, has indeed increased markedly since the early 1990s as a literature on such arrangements (Bromley 1992; Gibson ct al. 2000; Marshall 2005, McCay ct al 1987; Ostrom 1990) has steadily gained influence. Common property has been defined as hared private property, and a common property arrangement as one in which the relevant property rights and duties are shared among a group of private actors (McKenn 2000).

For instance, a study of Associative Peasant Businesses in Chile reported by Berdeguc (2001) and Reardon ct al. (2002) found that this type of local collective action benefited small farmers in markets where transaction costs were high and product differentiation was important. Despite strong government support, however, only about one-fifth of these associations actually helped their members participate in new markets.

The failures of the remaining associations were attributed to social capital deficiencies in terms of (i) developing and gaining compliance with rules regarding the rights and duties of individual members, and (ii) forging relationships with market agents and public service providers, as well as simply in terms of (in) achieving overall competitiveness The first of the foregoing reasons for the associations failing lo help their members access new markets is consistent with the observation by Johnson ct al. (2004) that internal relationships are important for the performance and survival of such vehicles for local collective action. They expressed concern that much of the attention on internal relationships by those promoting such collective action has been directed at formalism}.[1], legally the structures under which it occurs, and recommending particular structures that minimize the legal costs involved, when the available evidence suggests that the best structure for an agri-enterprise group depends on the values and characteristics of its members. The second of the reasons also accords with a broader conclusion by Johnson et al. (ibid), namely that managing external relationships can be equally important for small rural enterprises as managing production processes in explaining their success in competing for access to new markets. The importance of such relationships for exploiting. new market opportunities, they argued, arises from the need in know about these opportunities us well as the technological and managerial innovations they might adopt to become and stay competitive. They recommended accordingly that the relevant policy makers enhance their understanding of how such relationships might best be fostered

1.9 Connecting the poor to markets

This identified need for governments and other organizations concerned with poverty alleviation to be pro-active in fostering such relationships is consistent with the conclusion of Narayan et al. (2001) that the influence of social capital is most profound in terms of the relationships it facilitates between heterogeneous social units. They observed from the findings of several projects conducted as part of the World Bank's Local Level Institutions Study that without external allies the social capital of poor communities typically remains a poor substitute for the resources and services provided by the state.

The need for policy makers to take a pro-active stance in developing relationships of small farmers and rural enterprises with the wider world was highlighted also by Cleaver (2005). She remarked upon a tendency in development policy circles to oversimplify the social capital concept along the lines of rational -choice reasoning such that attention is diverted from issues of structural constraints on empowerment of the poor, sometimes even resulting in 'victim-blaming' where the poor are viewed as responsible for their own deficits of agency and social capital more generally. She found from her ethnographic research in rural Tanzania that social relationships can constrain as often as they enable. And that the norms and other institutions they embed often serve to reproduce relations of inequality and marginalization. Thus, 'the poorest people are both more dependent on their ability to exercise agency than others and less able to do so effectively' (ibid p 404) for instance, Blair (2005) found how in rural Bangladesh the poor and poorest rely on patron-client ties to mitigate their poverty from day to day, but these tics serve only to reinforce their disadvantage into the longer term. Along similar lines, Thorp et al. (2005) accepted that the social capital underpinning group formation and maintenance is important for poverty alleviation, bin hypothesized that the chronically poor can he disadvantaged in-group formation due to their lesser access to agents capable of pushing, their interests politically. Thus groups formed successfully among the poor can tend to exclude the even poorer, particularly groups associated with market functions.

These arguments regarding the importance of external agents for allowing rural communities to reap economic advantages in terms of livelihood stability, employment generation, poverty reduction, and tonality »f basic services - have been supported econometric ally by research into Rajasthani villages by Krishna (2002, 200.1). He found that economic development performance was associated most strongly with a combination of high intra-village social capital, on the one hand, and ready access to agents capable of targeting this capital towards incentives arising from the external environment, on the other. The agents found in this setting to be most important in this respect were a new set of young village leaders, relatively more educated and experienced in dealing with government operations and market operations, who had emerged and gained strength in the previous two decades. It was concluded that such agency is critical in situations lacking the kinds of institutions that enable villagers to connect with the state and the market. In such situations, the utility of a given stock of intra-village social capital can be strengthened significantly by investing in the development of agents and other mediating institutions a water of the opportunities available in the market and government programs and able to connect villagers with opportunities.

1.10. Social Capital in Bangladesh

Micro-enterprise institutions (also referred to as MFIs) provide financial services to people in Bangladesh. They operate as an alternative to formal banking institutions by offering landless villagers small loans collateralized by group accountability lather than tangible assets (I trance 1998) The NGO rural development programmers put emphasis on participatory development embodying a collective effort by the people who are the beneficiaries of development. The creation of group-based cooperative organizations based on mutual trust strongly promotes participatory development and the empowerment of its members. Basic social values take precedence over the values of the market As of December 2002, four million women were borrowers, and the average loan size was US$100, payable over 46 to52 consecutive weeks (CDF 2002).

Candidates for micro-finance group membership must form or join 10 to IS members into a group, learn to write their signatures, and to memorize relevant institutional rules and constitutions of social development. Members themselves may form the groups, via pledges for members to develop their families through education, vegetable planting, installation of sanitary latrines, and avoidance of giving or receiving dowries (Hossain 1993), Group members are selected on the basis of base! me/house hold surveys such as women who own not more than 0.50 acre of land including the homestead and those who depend on manual labour for a livelihood (Hearly 1999), 01 rural women who are aged between 18 to 50 and do not earn more than Tk 2000 (AUD $ 50) monthly (Khandakerr Khalily and Khan 1996). Members then sign an attendance hook while each group elected chairperson pays loan installments lo the credit officer on behalf of her group. The meetings provide members with opportunities they did not have before micro-credit membership. Opportunities include walking across the village to attend group meetings; sitting with women from different kinship, religious, and social status groups; handling money; and receiving a personal address from the credit officer (Fuglesang and Chandler 1993). By signing one form women can easily access credit, which they can then invest their business endeavor to earn a livelihood.

Ideally, the group's joint liabilities produces both peer pressure and peer support, which encourages prompt payment of loan installments. Group lending mechanisms provide incentives to the borrowers to monitor each other to sec who can pay and who cannot. Monitoring can take several forms, such as observing repayment of the loan, visiting another's business to see that they are selling, showing receipts to demonstrate that inventory was purchased with the loan proceed, and talking to others in the community to confirm difficulties such as illnesses (Yaron 1994). These constitute the interactions of group building and monitoring and refer lo the nature of relationships such as cooperation, collaboration, competition, conflict sharing, and financial and non-financial exchange (Mondal 2001).

Rural women in Bangladesh have their own 'informal associations' (March and Taqqu 1982) formed and convened in and around their baris when washing clothes, processing rice, or caring for children. Because women have traditionally been excluded from formal institutions, informal associations have expanded women's social and economic lives and have served as important information channels and support systems (March and Taqqu 1982). However, the relationships cultivated through these associations exist primarily among close neighbors and those who share bongsho lies (Jahangir 1982). Nonetheless, they help women and their families to identify a candidate who has the greatest ability to repay loans. This candidate would be selected and helped, and she may then recommend the name of other women to become a member.

In rural Bangladesh women are identified using only possessive terms denoting their relationship to the family's male members (Abdullah and Zeidenstien 1982). However, at the group meetings the credit officer often refers to each woman by her first name when calling attendance or collecting loan installments. Hearing their first name spoken is important to rural women. It not only indicates an educated person, but also provides individual recognition because they consider their first names to be evidence of an identity apart from their traditional familial identity. After they have joined as member, all women know the other 10-20 members' names. Members, as individuals, can change because of their interaction with other members at the weekly meetings, or developing new relationships that, in turn, lead to free movement outside their bari without an escort. Moreover, the weekly group meeting is a way to increase women's confidence in talking to others, and also to make them feel as though they have intelligent comments to make (Larance 1998).

Larance (1998) describes how women felt when sitting among other members of different bongsho, castes, and social status. They felt strong unity because, at the group meeting, everyone is equal and works with one mind. When a member missed a meeting, others fell bad because they missed the opportunity lo sec or to share their feelings with her (March and Taqqu 1982). The women who missed a meeting may ask other members what took place at the meeting during her absence. Women who are formulated into a group frequently visit another member's house and are treated as friends, The remaining respondents felt close to then new friends because they were neighbors. AD those who reported having made friends, also reported visiting their friends during the week between group meetings (Todd 1996).

During the meetings, members encouraged each others interaction by teasing or including them in conversations before membership the extent of life women's networks often depended upon whether they were someone's wife, mother, daughter or widow. Membership has made women more popular because more people know them Weekly group meetings with women from different areas of the village also provide an opportunity to increase information networks (Holcombe 1995). Women who are involved with a group now frequent public places, and feel comfortable going to public places where they may not go before membership (Hossain 1993). Their new mobility may include travel to the marketplace and village shops, health and family planning. clinic, educational institutions and entertainment places such as fans, and, movie theaters.

The group members also try to help other members to make up shortfalls on loan installments. These initial economic transactions often develop into personal relationships. As a quality control measure, the group members work together and make suggestions to each other for improvements (Karlan 2001). Women members tend M develop more trust so they borrow and tend valuable things within the group Social obligations in rural Bangladesh include serving uninvited guests muree (puffed rice) or joining in marriage celebrations (Toidd 1996). Women frequently lend small sums without interest to group members who are short of cash for repayment, or lend paddy l" certain relatives and neighbors without interest (Healey 1999). During the Muslim festivals such as Eid, Muharam, and Muslim New Year, when each family in the villain: makes a contribution to the mosque; the village elders pay poor women members via religious ceremonies (White 1992). Women members who have the advantage of living in their natal village, surrounded by their own km, may lease, sharecrop and purchase the land of their sisters and other relatives Women members create clients in the group and even amongst the village elite by giving) interest-free loans and maintaining , retinue of followers by providing employment (Proshka 1999) The prosperity that woman generate from their loans enables them ID partake fully in the ceremonial the of then km groups as well as of the wider village, which adds to members' influence and stains Women members take gifts to weddings and entertain their relatives to long winter pitta visits (Ahmad 2003; Berenbach and Guzman 1992).

Women members use their capital and growing prosperity to oil their informal networks, through gifts and small loans, through having Taka to buy livestock and lease land from others in their gusti, and through offering the kind of ceremonial feasts and contributions that signal their full membership of the social and religious life of the village (Figure 5.1). For the most successful women members, this process has advanced to the point where they have become patrons rather than clients (Pit and Khandker 1998)

1.11 Conclusions

Bangladesh is a country, which is facing an uphill task to alleviate its level of poverty. The huge pressure of population, frequent visit to natural calamities like flood and cyclone, wide spread political unrest and the existence of abysmal corruption at all levels of public and private sector render its development effort insignificant Besides in the absence of a suitable in fracture, prevent achieve and poor administrative mechanism, non-existence of people in the task of development did not take place as expected.

Successive regimes in Bangladesh had failed to develop LI social cohesion, which plays an important role in forming social capital Rather than forging the nation together they pursued a policy of dividing the people on the pretext of political advantage, which broke into the social fabrics and led to gradual erosion among people and engage them in tin-developmental task and the dream nf rapid development remained largely unrealized.

A pertinent now emerges that participation of people in nation building task depends largely on the quality of leadership and the political process and strengthening of the local governments which essential for the involvement of the community at the grass-root level.

It is essential to note here that social capital at micro, micro and macro to level are to be nurtured equally along with financial and or other tangible resources, in order to achieve a better sustainability for economic development.