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Effect of Social Capital on the Economic Power of Small -Scale Farmers in Mityana District, Uganda

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Abstract
This study sought to establish the effect of social capital on the economic power of small -scale farmers in Mityana District, Uganda. The study used the cross-sectional survey design, which involved collecting data from the sample of 384 small scale farmers in the district. Data was collected through a questionnaire. The analysis of data involved the use of the Pearson Product Moment Correlational Coefficient. The study concluded that social economic capital influenced the microcredit accessibility to small scale farmers. Furthermore, social economic capital influenced the economic welfare of small scale farmers to a smaller extent. The study recommended that cooperation should be encouraged among small scale farmers in terms of social norms, social networking and social trust to increase their accessibility to microcredit opportunities. Government fiscal policies such as transfer payments intended to improve the economic welfare of small scale farmers should be tailored around social norms, social networking and social trust of small scale farmers.

Keywords: Social capital; economic welfare; small scale farmers; Mityana District.

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Introduction

Social capital is seen as a vehicle for social transformation and economic prosperity (Claridge, 2019). At the macro-level, it fuels interactions between the state, business, trade unions and society and it contributes to the increase of public trust in the state, social stability and ultimately to the economic growth (Isayan & Mayilyan, 2022). Westlund and Larsson (2020) posit that communities with high social network diversity are more prosperous. This implies that social networks play a vital role in transforming communities and enabling them achieve economic development prospects.

Previous research reveals that in East Asia, high performing economies have shared social beliefs, values and customs, which are the cardinal drivers of inventions, creativity and innovation. This enabled these economies realize their development objectives by adhering to community goals that were collectively set by people and implemented by the states (Cho, 2021).This signifies the influence of social capital on peoples' standards of living and economic development.

In South Africa, studies revealed that all development programs intended for effective service delivery that were implemented by social groups, such as church charitable groups and

cooperative societies, women's groups, political party projects and members of rotating savings schemes were successful (Nieman, 2006). Hence social capital is seen as a vehicle for effective implementation of development projects intended to uplift the welfare of people. In Ukraine, the contribution of agriculture to GDP tremendously increased due to number of agreements on cooperation between communities from the year 2015 to 2020. Jel (2022) adds that social capital mitigates poverty, especially when members participate in poverty alleviation programs as groups.

In Uganda, credit accessibility is very crucial especially in rural areas where the majority of people are small scale farmers. Therefore, they need credit to finance their farming activities to increase productivity (AMFIU, 2013). However, micro-deposit Institutions (MDIs) reach out to only 4.85 percent of the total population above 18 years in Uganda. Savings and Credit Cooperatives (SACCOs) serve 2.51 percent while Microfinance Institutions (MFIs) serve 1.08 percent of the total population in the country (Finscope, 2012). Furthermore, only 10 percent of small-scale farmers country wide accessed formal credit in the past five years with central where Mitanni district is found having 8.9 percent of small-scale farmers accessing microcredit (Uganda Bureau of Statistics: Statistical Abstract, 2012).

Mityana district has the total population of 368,200 people and the total household of 93,800 out of which 30% engage in subsistence agriculture and only 23.4 in skilled agriculture. On the other hand, 46.6% deal with non-agricultural income generating activities. The district is predominantly comprised of small-scale farmers who subsist on their daily agricultural activities. Most small-scale farmers obtain their livelihood from subsistence farming with a majority in rural areas (82 percent). Those that depend on commercial farming are only 2 percent (Uganda Bureau of Statistics: Statistical Abstract, 2021).

Small scale farmers in Mityana District have been interacting through various farmers' groups, such as St. Josephs Group, Mbaliga Integrated Fruit farmers, Agali Awamu Community Initiatives (AACI), Asigala Talaama Development Group, Alinyikira Womens Group and Abasa Ekimu Saving and Credit Scheme (ESAFF Uganda, 2021). Interventions from the central government through SACCOs, NAADs program, Parish Development Model and development partner efforts have been packaged around these small-scale farmers' groups in the district. The interventions are aimed at increasing social capital in order to enable small scale farmers to access microcredit to improve their economic welfare (Musiimenta, 2012). Small family farmers account for 89 percent of all Ugandan farmers, delivering up to 80 percent of the annual total agricultural output with coffee as the major export commodity, followed by tea and tobacco (FAO, 2018). Despite these interventions, 27 % of the small-scale farmers are below the poverty line earning UGX 509.4 per day (Uganda National Household Survey (2019/2020); FAO, 2018). The largest share of household expenditure in the district has been on food (40.5%), followed by expenditure on housing, water, electricity, gas and other fuel (18.2%) and education (8.6%) (Uganda National Household Survey 2019/2020). This study therefore sought to establish the relationship between social capital and economic power of small-scale farmers in Mityana District.

Literature Review

This section looks at the views of various scholars on social capital and economic welfare as well as the interactions amongst the variables.

Level of Social Capital

The growing body of literature (Dhufures et al., 2002; Van Oorschot, 2005; Sharma & Zeller, 1998; van Bastelaer & Leathers, 2006; Karlan, 2007; Newton, 2013) adds weight to the fact that social capital plays an important role in microcredit accessibility. In addition, authors such as Afandi and Habibov (2016) as well as Guiso, Paolo and Luigi (2004) reported that people are more likely to have access to formal credit where social capital is high, which leads to better levels of economic welfare.

Hayrapetyan and Isayan (2022) define social capital as the strength of interpersonal and individual institutional relationships. Social capital is also defined as the informal forms of institutions and organizations that are based on social relationships, networks and associations that create shared knowledge, mutual trust, social norms and unwritten rules (Durlauf & Fafchamps, 2004). Social capital is recognized as a multi-dimensional phenomenon with various aspects of social norms, social trust and social network; social networks are relationships within people, between families and among friends done informally, participation in

community and institutional life and public engagement. Furthermore, social norms are shared beliefs, values, rituals, norms and habits in cooperation. He says social trust is a generalized trust that people have in social organizations (Burchardt, 2012).

Social capital empowers individuals to engage in productive activities and is a vehicle for economic prosperity. According to Hayrapetyan and Isayan (2022), there is a strong positive correction between the country's GPD per capita and elements of social capital, such as institutional networks and trust. Westlund and Larsson (2020) view social capital as social beliefs, norms, attitudes and networks spread throughout all networks. It benefits individual participants in the networks and the society as a whole.

Putnam (2007) is of the view that social capital can be considered an asset that contributes to the development of other forms of community capital—human, financial, physical, political, cultural and environmental. The concept of social capital is applied to a number of aspects: families and youth behavior problems, schooling and education, work and organizational issues, democracy and governance issues, and general collective action problems. In general, literature, such as Billon and Lujala (2021, Burchardt (2012) and Norbutas and Corten (2018) has pointed out that social capital addresses common problems that are not easily resolved by individual actions.

Countries with high GDP per capita embrace free enterprise economic systems and have low levels of social connectedness, necessitating developing countries to identify key elements of social capital to realize faster economic development (Isayan & Mayilyan 2022). This contradicts with earlier findings on relationships between social capital and economic welfare of small-scale farmers that conform to the notion that social capital is a driver to the country's economic development.

Social Capital and Economic Welfare

This section presents previous study findings on relationships between constructs of social capital and economic welfare.

Ibrahim and Law (2014) posit that pollution costs of development are lower in countries with high social capital reservoir compared to countries with low social capital. Social capital reduces environmental costs in economic development, based on individual level of income. Furthermore, social capital may directly affect the well-being of individuals through resultant health and happiness, education and children's welfare. Social capital is positively linked with income and welfare (Hassan & Birungi, 2011). One of the channels through which social capital affects the economic welfare is through promoting trust in social institutions. Communities with high income levels and strong cultural beliefs move out of the vicious circle of poverty easily. Similarly, communities with low-income levels and social ties are found to be in vicious circle as their various forms of capital diminishes over time (Afandi & Habibov, 2016).

Social capital supplements physical capital and human capital in economic growth and development. For instance, the perceived trustworthiness of foreign investors in a given country increases its foreign direct investment. Countries with a strong social capital base are more likely to realize greater educational achievements, better health care systems and they usually achieve high economic growth and development due to strong social networks (Li et al., 2015). Norbutas and Corten (2018) posit that societies having strong social network diversity are more developed. This implies that social networks play a vital role in transforming communities and enabling them achieve economic development prospects.

Finsveen (2010) pointed out that social capital inequalities are low in countries with many welfare invention packages. Narayan and Pritchett (1999) revealed that communities with high social capital are more likely to enjoy better public services due to high level of organization, ability to practice better farming methods and actively engaging in communal activities, which increases people's incomes. Strong social capital base also eliminates the enforcement problem in undertaking risk sharing. It makes people behave in a creditworthy manner (Karlan, 2007; Wiseman, 2011) and to recover from calamities quickly. Basing on its worldwide recognition, social capital is considered as a very significant component in promoting economic prosperity (Burt, 2012).

Communities that are solid in entrepreneurial activities have consistently produced more entrepreneurs over time. Several authors attribute this to local entrepreneurship cultures (Andersson & Koster 2011; Fritsch & Wyrwich 2014; Giannetti & Simonov 2009). The process of entrepreneurship

development is partially driven by social networks, beliefs, norms and social trust and externalities (Arenius & Minniti, 2005). Consistent with the presence of local entrepreneurship cultures, many new firms have been formed over time (Andersson et al., 2016). Andersson et al. (2016) further assert that communities with a good entrepreneurial culture are more successful.

While social capital is a vehicle for entrepreneurship growth and development in many communities, local entrepreneurship culture is built on social trust and networks and this sparks the invention of new business ideas, products and enterprises with spillover effects over neibourhood, thus increased output and economic development (Andersson & Koster 2011; Fritsch & Wyrwich 2014; Andersson et al., 2016). Westlund and Larsson (2020) add that local social capital provides structures for local market interactions, which spars development at both regional and national levels. While most of reviewed studies reveal that social capital affects the economic welfare of people, this study seeks to establish the effect of social capital on economic welfare of small-scale farmers in Mityana District.

Methodology

This section presents the methodology which guided the study.

Research Design

This study used the quantitative approach and the cross-sectional survey design, which involved collecting data and analyzing it from a determined sample.

Population and Sampling

According to the Uganda Bureau of Statistics Provisional Census Report (2014), there are 228,574 small scale farmers in Mityana District who constituted the population in this study. The study used a sample of 384 small scale farmers in the district. This number was determined from the study population using the Krejcie and Morgan (1970) table of sample size determination. In order to avoid underrepresentation in geographical areas, the study randomly collected data from 96 respondents from each of the four sub counties of Mityana District as shown in Table 1.

Table 1: showing the study population and sample in each Sub County

Sub County	Population	Sample Size	Sampling Technique
Sekanyonyi Sub County	57283	96	Simple random
Malangala Sub County	57090	96	Simple random
Bulera Sub County	57200	96	Simple random
Busimbi Sub County	57001	96	Simple random
TOTAL	228574	384	

Table 2: showing Reliability Results

Theme	No of Items	Cronbach's Alpha
Social Capital	13	0.867
Economic Welfare	6	0.985
Microcredit Accessibility	12	0.725

The small-scale farmers were selected using simple random sampling procedures. This method was useful because it eased respondent selection and it eliminated bias in the sample selection process since each respondent had an equal chance of being selected for the study.

Sources of Data

The study used a 5-scale survey questionnaire to collect data from the field. The questionnaire had a section for social economic capital (with 13 items) as an independent variable and two sections for microcredit accessibility (with 12 items) and economic welfare (with 10 items) as dependent variables.

Validity and Reliability

In order to establish the validity in the questionnaire, the instrument was subjected to experts for review. Reliability of the instrument was established through the test-retest technique.

The study conducted a prior test of the instrument to a group of subjects. Data was entered into the SPSS program for analysis to establish the reliability in terms of Cronbach's Alpha. The Cronbach's Alpha in each of the constructs was 0.7 and above as seen in table 2. As per the observation of Nunnally (1978), a Cronbach's Alpha of 0.7 and above is satisfactory to show acceptable reliability.

Statistical Treatment of Data

To establish the relationship between the independent and dependent variables, the analysis used the Pearson Product Moment Correlational Coefficient. The nature of possible correlations would be either positive or negative and its interpretation based on the following criteria: ≥ .70= strong relationship; ≥ .50 = moderate relationship and ≤.50= weak relationship.

Ethical Considerations

The participants were informed that the study was strictly for academic purposes. The researchers did not put participants into risky situations as a result of participation. The respondents were further informed that participation is voluntary and they would withdraw from the study at any time if they so wished. The researchers sought for permission from relevant authorities, such as the hosting university and government authorities, before data collection started.

Results and Discussion

This section presents the results of the study. The analysis begins with the presentation of demographics of respondents and then the analysis of guiding research questions followed.

Demographics of Respondents

The findings in Table 3 show that the majority (61.7%) of the respondents were males compared to their female counterparts, who constituted 38.3%.

Table 3: Sex of Respondents

Gender	Frequency	Valid percent
Male	190	61.7
Female	118	38.3
Total	308	100.0

Table 4: Age of Respondents

Age Bracket	Frequency	Valid percent
18-29 years	33	10.7
30-39 years	114	37.0
40-49 years	82	26.6
50 and above	79	25.6
Total	308	100.0

Table 5: Level of Education

Level of Education	Frequency	Valid percent
Tertiary	49	15.9
Secondary level	76	24.7
Primary level and below	183	59.4
Total	308	100.0

In Table 4, bigger portion (37%) of respondents were aged between 30 and 39 years, followed by the category of 40 to 49 with 26.6%. These findings imply that social capital can be aligned according to gender, with men having stronger social ties.

In addition, the findings show that the biggest portion (59.4%) of the respondents had been educated to primary level of education and below, followed by 24.7% with secondary level of education. Tertiary level carried 15.9% of the respondents. This shows that most of the small-scale farmers had basic literacy skills and could provide reliable information for this study.

In order to establish the relationship between the independent and dependent variables, it was necessary to test the following two null hypotheses:

First Hypothesis: There is no significant relationship between social economic capital and microcredit accessibility.

The study tested the first null hypothesis using the Pearson Product Moment Correlational Coefficient through the Statistical Package for Social Sciences. As observed in Table 6, there is a significant moderate and positive correlation between social economic capital and microcredit accessibility (r=.549, p=.000). Therefore, the study rejected the null hypothesis. The study then came up with an inference that socioeconomic capital influences the microcredit accessibility. The findings are in

agreement with a growing body of literature (Dhufures et al., 2002); Van Oorschot, 2005; Sharma and Zeller, 1998; van Bastelaer and Leathers, 2006; Karlan, 2007; Newton, 2013), adding weight to the concept that social capital plays an important role in microcredit accessibility.

Table 6: Pearson Correlation Results

		Social Capital	Accessibility	Welfare
Social Capital	Pearson Correlation	1	.549**	.442**
	Sig. (2-tailed)		.000	.000
	N	308	308	308
Accessibility	Pearson Correlation	.549**	1	.497**
	Sig. (2-tailed)	.000		.000
	N	308	308	308
Welfare	Pearson Correlation	.442**	.497**	1
	Sig. (2-tailed)	.000	.000	
	N	308	308	308

**. Correlation is significant at the 0.01 level (2-tailed).

Second Hypothesis: There is no significant relationship between social economic capital and economic welfare.

The study tested the second null hypothesis using the Pearson Product Moment Correlational Coefficient through the Statistical Package for Social Sciences. As observed in Table 6, there is a significant yet weak and positive correlation between social economic capital and economic welfare of the Small -Scale Farmers. The findings match with those by Westlund and Larsson (2020) who posited that communities with high social network diversity are more prosperous. This implies that social norms and networks play a vital role in transforming communities and enabling them to achieve economic development. This is in agreement with Burt (2012), Hassan and Birungi (2011) as well as Afandi and Habibov (2016) who note that social capital may directly affect the well-being of an individual.

Conclusions and recommendations

Conclusions

Based on the findings, the study concludes that social economic capital influences the microcredit accessibility to small scale farmers. Furthermore, social economic capital influences the economic welfare of small scale farmers to a smaller extent. Therefore, social economic capital is essential for microfinance accessibility and the economic welfare of small scale farmers. The study recommends that cooperation should be encouraged among small scale farmers in terms of social norms, social networking and social trust to increase their accessibility to microcredit opportunities. Government fiscal policies such as transfer payments intended to improve the economic welfare of small scale farmers should be tailored around social norms, social networking and social trust of small scale farmers.

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