Articles

Learning from South Asian 'Successes': Tapping Social Capital

Shahrukh Rafi Khan

India's economic success over the last decade and a half, and more recently Pakistan's economic progress under the military government, have drawn attention. While these and information technology in India may be the main South Asian success stories drawing attention currently, there are a number of other successes that have been around long enough to be considered sustainable. Successes are defined as initiatives, interventions, cases or models that have been sustained for several decades, can be replicated, scaled up, have had a significant impact and exported to the rest of South Asia or beyond. The ones documented in this article rely on the tapping of social capital. This article explores various conceptualizations of social capital and argues that the latter is an important reason for the three 'successes' considered. It is further argued that a good understanding of the relevant concepts of tapping social capital will enable development via social mobilization, participation, collective action, public-private and local-foreign partnerships.

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Shahrukh Rafi Khan is Professor of Economics, Mount Holyoke College, South Hadley, MA.
Email: shahrukh.2006@gmail.com

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1. Introduction

India's economic success over the last decade and a half, and more recently Pakistan's economic progress under the military government, has drawn much attention.[1] While these may be the main stories drawing attention currently, there are a number of other successes that have been around long enough to be considered sustainable. Successes are defined as initiatives, interventions, cases or models that have been sustained for several decades, can be replicated, scaled up, have had a significant impact and exported to the rest of South Asia or beyond. Most South Asian scholars could probably make their own lists that would include obscure but interesting case studies, but the obvious ones would probably be on most lists.

The obvious successes on my list, in no obvious order, include information technology (IT) in India, tourism in the Maldives and Bhutan, rural support programmes in Pakistan and in almost all of South Asia, the textile industry in Bangladesh, sports goods and surgical instruments industrial clusters in Sialkot, Pakistan, agriculture in East Punjab, India, poverty alleviation in Maharashtra, India, the sustained decline in fertility in Bangladesh, joint forest management in India and Nepal, human development in Sri Lanka and Kerala, India, and micro-credit in Bangladesh and now across the rest of South Asia and the world.

The successes listed above could be based on state, private or civil-society initiatives or partnerships or some combination that may include partnerships with outside agencies. For example, successes in human development in Sri Lanka or the green revolution in East Punjab, India were state initiated. The textile industry in Bangladesh and the IT cluster in Bangalore, India are based on state-private sector partnerships, as well as foreign and domestic partnerships in the form of joint ventures. The selection of successes for this article are based on initiatives which tap social capital as a central element. Thus the purpose of the article is to conceptually demonstrate the importance of tapping social capital, particularly when state and private sector initiatives may not be forthcoming.

From the list given above, I have selected three successes—micro-credit in Bangladesh; rural support programmes in Pakistan; and the surgical goods industrial cluster in Sialkot, Pakistan for investigation in this article. The first two originated in South Asia, have 'gone to scale', have been exported and have had a sizeable impact. Beyond this, these three represent non-government initiatives that I argue entail the tapping of social capital.[2] These success stories are not

[1] The debate of industrial policy vs. liberalization and de-regulation is again playing out in the controversy over the sources of Indian economic success. Refer to Rodrik and Subramanian (2004) and Panagariya (2004). For the debate on Pakistan's economy refer to Husain (2002) and Khan (2004).

[2] The first two are civil society initiatives. For a detailed account of the contribution of civil entrepreneurship and civil society to sustainable development refer to Banuri and Najam (2002). In the first two of our case studies, Mohammad Yunus and Akhtar Hameed Khan and Shoaib Sultan Khan respectively are the civic entrepreneurs.

without controversy, as I will indicate, and hence the use of quotes for successes in the title. Yet, in my view, on balance they have had a substantial impact on enhancing 'well being'.

In section 2 of this article, I indicate how the tapping, mining or relying on social capital for collective action is a common and appropriate conceptual framework for the selected initiatives. In section 3, I flesh out the 'models' underlying the micro-credit, rural support and industrial cluster initiatives and conceptually demonstrate the role that tapping social capital plays in them.[3] In section 4, I draw on literature to demonstrate that these models are qualified successes. In this section I also indicate the qualifications or controversies pertaining to them. While the intent of this article is to make a conceptual contribution, the success of these models can be attributed to several factors, other than just the tapping of social capital. While empirically establishing the contribution of tapping social capital to the success of these initiatives is beyond the scope of this article, I indicate in section 5 that this concept can and has been operationalized and that this is a promising area for further research. I end with a summary and a discussion of conceptual issues requiring further investigation, including the role of government.

2. Conceptual Framework: Tapping Social Capital[4]

There is vast and exponentially growing literature on social capital and scholars from many traditional disciplines including history, sociology, psychology, education, political science, anthropology, demography, geography, business and management, economics, health and urban and environmental studies are now contributing to it.[5] It is currently one of the 'inter' and multi-disciplinary topics enabling much cross-fertilization of ideas and some convergence of views.[6]

Various scholars have characterized social capital as the glue that holds society together (for a tabulation of various references, see Haddad and Maluccio 2003:2). Some of the most common definitions include viewing it as 'trust' within and across social organizations and institutions.[7] Building a good 'reputation' in business is thus an investment in social capital that pays dividends by reducing

[3] Quotes are used since this usage of model obviously differs from a more rigorous usage.

[4] This section draws on Khan (forthcoming). Bourdieu (1986), Coleman (1989) and Putnam (1993) are widely cited to be developers and propagators of the concept of social capital in differing contexts. Refer to Woolcock (1998) for a review of the origin of the concept and for its intellectual history.

[5] Field (2003: 4) pointed out that between 1991 and 1995, social capital as a keyword resulted in 109 hits and between 1996 and March 1996 it produced 1,003 hits on various databases. In March 2006, 3,236 hits resulted just from *EconLit*.

[6] Field (2003: 9) noted that in addition to the traditional disciples, other scholars including feminists, educationists and specialists in social and urban policy and planning contribute to applications including development, poverty, health, technological innovation, social inclusion, crime, and the investigation of civil society organizations and political systems.

[7] Narayan (2002: 58) also defines it to include the interaction of formal and informal organizations.

the transaction costs for others (Fafchamps and Minten 2002). This is the relevant concept for the tapping of social capital in industrial clusters.

On another level, social capital is viewed as the willingness and capacity to co-operate and engage in collective action for mutual benefit and for reducing free riding. At a minimum, this requires norms (including sanctions), rules and procedures for organization and networks, which is then the embodied social capital. Woolcock's (2002: 22) definition of social capital is networks and norms (including sanctions) that facilitate collective action. Implicit in this definition is trust and social interaction that make the norms and networks work for a positive cause.[8] This concept is most suitable for tapping social capital in micro-credit and rural support.

As with the definitions, there are many different conceptualizations of social capital. One overarching framework in economics is the household production model whereby with the input of time, resources and social capital, the household derives utility from the consumption of produced or acquired goods and services (Isham et al. 2002: 7). An alternative would be to focus more on the collective action facilitated by social capital that produces, improves or maintains collective goods.[9]

Woolcock (2002: 23) draws on sociological literature to conceptualize social capital in terms of bonding (between close family members, friends and neighbours) and bridging (between more distant associates and colleagues). These represent horizontal associations in contrast to vertical linkages to people with influence or in power. Thus, in this conceptualization, social capital can be bonding, bridging, or linking. Streeten (2002) defines five aspects of social capital by using the metaphor of various kinds of commodities from consumer goods to durable goods to explain that social capital takes time to build and hence represents an investment for future return such as forging relationships or membership in associations, but differs from other investments in that the process itself can provide satisfaction.

Krishna and Uphoff (2002: 86–88) make a distinction between structural and cognitive forms of social capital. Structural forms of social capital are, for example associational and facilitate mutually beneficial collective action. Cognitive social capital includes shared norms, values, attitudes and beliefs that predispose people towards mutually beneficial collective action. Structural social capital is external and more visible and pertains to rules, procedures, precedents, networks and organizations whereas cognitive social capital is internal and pertains to how people think. Cognitive social capital inclines individuals towards collective action and structural social capital facilitates this. They also make a distinction between mutually reinforcing primary mechanisms of social capital

[8] Collective action can be put to negative uses and examples in literature of perverse social capital include drug cartels, the mafia, the Ku Klux Klan and even Al Qaeda. Refer to Rubio (1997) and Streeten (2002: 44).

[9] One could argue that these still enter the utility functions but one need not head in that direction given discomfort with the concept of utility functions.

like trust, solidarity, cooperation, generosity, honesty and secondary forms like honesty, egalitarianism, fairness and participation.[10] Based on these conceptual distinctions, they develop a social capital index for their empirical work that I will return to in section 5.

Woolcock (1998) makes a distinction between networks and the underlying trust to ask what makes the difference? One could argue that trust creates the social cohesion and gives meaning to and sustains the network.[11] Krishna and Uphoff (2002) raise the relevant question where does social capital reside? While they measure social capital at the household level, I view it as residing in social interactions. At the cognitive level, it is trust and a feeling of solidarity based on the shared norms, culture, experiences and reciprocation and at the social level it is mechanisms such as reciprocal obligations and local networks and institutions that give expression to this trust and solidarity and reinforce it. This is the conceptualization adopted for this article and underpins the models explicated in the next section.

In view of these definitions and conceptualizations, I emphasize two points. First, that the concept can be defined very broadly.[12] Thus, social capital could include government engaging private initiative, local associations (CBOs or community based organizations), networks or social associations. At a broader level one could argue that it represents the 'ethic' resulting in well functioning government institutions such as the police, administrative and legal systems.[13] If these exist and work well, they can diminish the importance of informal mechanisms based on reciprocal trust and social relations that come into play when the state does not function well.[14]

Second, the concept of building social capital has been gaining ground.[15] This can include social organizations such as credit groups, water user associations and various kinds of community or development organizations. I view this concept of social capital as useful from an operational and policy perspective, although my position is that social capital is harnessed or tapped rather than built from scratch. Conceptually one could argue that the process of tapping or harnessing it can enhance it, although this again needs to be subjected to empirical verification.[16]

[10] Grootaert and van Bastelaer (2002: 4) refer to information and collective action as the channels via which social capital has a positive impact on development.

[11] Social cohesion is a useful term used by Reid and Salmen (2002).

[12] This is evident in particular in the review by Rossing and Assaf (1999).

[13] Heller (1996) views it as the constructive role that the state government played in the class coordination of militant labour and skittish capital in Kerala, and also the role of the state in providing redistributive goods.

[14] Refer to Collier (1998: 15) on complementarities and substitutability of government and civil society social capital.

[15] Bebbington and Carroll (2000), Sorenson (2000) and Gugerty and Kremer (2000) are examples of such thinking. Ostrom (1997: 161–62) discusses this concept of building and sustaining social capital.

[16] As with any concept, there are scholars who view it to be of little value. For example, Fine's critique is that it is a poorly defined catch all fuzzy concept that is ideologically loaded. Refer to

To summarize, these definitions and conceptualizations suggest that social capital, among other ways, has been conceived of at an individual level in terms of what the individual can tap into to improve personal or household welfare, at the *meso* or community level that can facilitate collective action to achieve collective goals, or at the macro level such as institutions for good governance that can enhance service delivery and promote economic growth. Much of the focus of the models I review is on the *meso* level whereby trust and social networks facilitate collective action for mutual benefit.

In two of the case studies I consider (micro-credit and rural support), an external agency taps into the social capital via social mobilization. Conceptually, the argument is that the construction of peer groups or social organizations is likely to be more successful the greater the reciprocal trust and positive interaction and networking within communities.[17] When that is the case, external intervention is really tapping into and also 'harnessing' and 'guiding' or 'channelling' the existing social capital to work towards a particular goal such as collective action for the provision of community infrastructure.[18] In the third model, an industrial cluster is embedded in a local network of trust and reciprocal obligations that has led to autonomous collective action. The social capital can also facilitate public-private and foreign-local capital partnerships, another recurring theme in this article. I turn now to the fleshing of these models of tapping social capital in South Asia.

3. The 'Models'

3.1 The Grameen Bank Model

Information on the Grameen Bank (GB) is readily available (Yunus 2002, 2003; http://www.grameen.com). Conventional banks avoid loans to the rural poor because of lack of collateral, high transaction costs resulting from limited infrastructure, lack of information, small size of loans and contract enforcement problems. The GB model overcame these obstacles via peer-group lending.

Fine (1999, 2001, 2003) and Fine and Green (2000). For other critical views refer to Arrow (1999), Solow (1999), Silvey and Elmhirst (2003), Rankin (2002: 10) and Harriss and Renzio (1997). For reflections on Fine's and other critiques, refer to Bebbington (2002, 2004).

[17] Grootaert and Bastelaer (2002: 5) and Dika and Singh (2002: 44) mention the 'activation' of social capital in passing. We take the view that the activeness of social capital is a question of degree, but that it needs to be active for it to be tapped.

[18] Thus we adopt an instrumental view of social capital. We are aware that this instrumental approach has been criticized by among others, those who view social capital as an end in and of itself (Fine 1999: 87). However, the latter approach has been subjected to the criticism of circularity whereby social capital is both a 'means' and an 'ends'. On this issue of circularity refer to Portes and Mooney (2003).

The social relations and networks in poor rural communities is the social collateral that substitutes conventional collateral, hence the reference to banking on social capital.

Peer-groups of five were found via experimentation to be an optimal number to limit free riding that can happen in larger groups. The group is from the same village, self-selected to ensure a strong network and trust and homogeneous to ensure equal power. The group elects a voluntary chairperson on a rotating basis who enforces discipline and a secretary for record keeping. GB provides training on procedures, leadership and management skills and the GB field-workers sometimes attend the weekly meetings to gain familiarity with the Bank's procedures and with the 'code of conduct' that represents the bank's social intermediation.[19]

A centre caters to five to eight groups, and all members are expected to attend monthly meetings. Also in attendance are the branch chairperson (chief) and secretary who are elected on a rotating basis.[20] To promote transparency, the meetings openly discuss individual propositions for loan activities and their utilization. All members must attend the group and centre meetings.

The peer groups, which are the building blocks of GB, are a repository of information and act as the social collateral via peer-group pressure to keep repayment rates high. They also serve as a support network. The loans are staggered and at a flat non-compound interest rate much lower than that available from moneylenders. First, only two members get a loan and if GB procedures are internalized and regular repayments are forthcoming as per the agreed schedule of weekly instalments, two more get loans. The chairperson is the last to get a loan. A default by any one member means no further loans for all other members (contingent renewal). An important repayment incentive is larger future loans of different kinds for members in good standing.[21] Thus a 'carrot and stick' approach of incentives and pressure is used, but ultimately the success of a particular group depends on the strength of its network and the subtle interactions within it resulting in both support and social pressure.

[19] A sixteen point programme emphasizes discipline, education, small families, no dowry, no child marriage, planting trees, maintenance of gardens and eating vegetables (selling surplus), hygiene (clean water and use of latrines) and saving and GB provides support in attaining these objectives via training, facilities (schools, health centres, crèches), materials (seeds) and social pressure (against dowries). Thus the Grameen Bank seeks social transformation beyond creating livelihoods and poverty alleviation. Critics point out that social transformation requires contending with property, class and power structures.

[20] The GB structure is pyramid shaped with Centres reporting to the Branch Office (30–60 Centres), which report to the Zone Office (10–15 Branch Offices) and on to the Head Office. The Zone Offices have considerable autonomy in administrative issues and the Head Office promotes cross-learning and focuses mainly on fund-raising, research and development, training, and monitoring and evaluation.

[21] The loan size initially is between Tk 2,000–5,000 and a maximum of Tk 10,000. One dollar exchanged for 71.38 Takas on 17 March 2006.

3.2 The Rural Support Programme Model[22]

In 1982, in the northern areas of Pakistan bordering Afghanistan and China, the Aga Khan Rural Support Programme (AKRSP), part of the Aga Khan Development Network, initiated the rural support programme model. Its approach is based on identifying village social activists and engaging in intensive social mobilization via a process of dialogues with villagers.

Once the community accepts the contract to engage in self-help or collective action, forms the village organizations (VOs), engages in regular meetings and regular savings, an infrastructure project identified as a priority need by the community, is approved. This first infrastructure project referred to as PPI (productive physical infrastructure structure), is viewed as a means of strengthening social capital and the community is expected to engage in other development work by tapping their social capital and financial collateral via the village organizations and collective savings.

Training and capacity building are part of the on-going interaction of the project with the VO after the initial infrastructure interventions. Other interventions, say in the social sector, become possible depending on the level of participation of the community. Natural resource management, livestock, forestry, micro-credit and small enterprise development are also part of the programme package depending on expressed community needs. Finally, there is the concept of partnership or linkage with government line or service delivery departments.[23]

The idea here is that mobilized communities with social capital embodied in VOs and with the development NGO often as an influential intermediary are more effective in soliciting services such as livestock vaccinations than the communities on their own. Overall, AKRSP has been very effective in working with the government and in tapping into, leveraging and extending government resources for community benefit.[24] The approach is removing bottlenecks such as inadequate transport, in the delivery of government services.

The AKRSP model has been widely replicated in the rest of the country and abroad and other programmes like the National Rural Support Programme (NRSP) set up with a government endowment fund, have engaged in several innovations to the basic model. The NRSP innovated in several ways by adopting a very flexible approach. Instead of a VO, there could be several community organizations in a village based on sect, *beraderi* (clan) or *quom* (caste) and centred on the expressed preferences of a cohesive group. This is a wise strategy given the greater social heterogeneity in the plains.

[22] Mondal (2000) reviews the work of the most prominent rural development NGOs in Bangladesh, BRAC (Bangladesh Rural Advancement Committee) and Proshika and refers to this as social capital formation.

[23] The 18th AKRSP Annual Report (2000) was dedicated to this theme of partnerships.

[24] World Bank (2002) concludes that AKRSP has been very effective in working with the government at the local level, although there has been some envy and jealously mixed with admiration for the project. In the federal capital, the concerned high-level officials have been appreciative and supportive.

The entry point to addressing community needs and hence mobilizing communities into a community organization (CO) need no longer be a PPI but could also be training, natural resource management, micro-enterprises or a social sector initiative like a primary school. This enables NRSP to be more responsive to community needs since they are likely to vary a great deal in the plains compared to the mountainous regions that AKRSP mobilizes. Credit is used across the board as an instrument for meeting a social need and for sustaining community interest in the CO for collective action.While there is a special focus on the poor, the non-poor are not excluded and micro-credit is also delivered to individuals outside of a peer-group framework.

3.3 Cluster Model of Industrial Development[25]

A cluster is a geographical and sectoral concentration of enterprises producing same or similar products. Examples include the information technology cluster in Bangalore, India or the surgical goods cluster in Sialkot, Pakistan. The advantages of clustering include the development of a pool of specialized labour locally available that facilitates manufacturing. The benefits of training workers are also spread across the cluster. A successful export cluster is accompanied by the emergence of ancillary services. Services emerge to provide specialized accounting, tax, finance, transport, export agents, marketing, printers for product catalogues and more general inputs. Foreign or local certifiers for quality or social standards will have more of an incentive to work with a cluster of firms. Similarly, a cluster has more clout with the government for infrastructure and other needed services. Given that the benefits are widespread, the state in more willing to engage in public-private partnerships whereby the cluster firms make contributions for self-help and the state pitches in for instance for critical infrastructure.

The cluster enables economies of scale and scope within the cluster. Input suppliers have several clients within the cluster and so they can benefit from economies of scale. Economies of scope are more likely because the large number of firms in the cluster make diversification more feasible. Another advantage results from the division of labour and specialization within the cluster. Firms can minimize risks by taking small steps and keep down transaction costs because they do not have to maintain large warehouses for inputs and sub-contracting makes this possible. Clusters are ideal for adopting 'flexible specialization' and 'just in time' production that enables them to rapidly respond to demand changes and to facilitate the final buyers by providing goods as needed.

[25] I rely extensively on Schmitz (1997) and Nadvi and Halder (2002) for the brief review of the industrial cluster model.

There is rapid diffusion of knowledge and ideas based on several mechanisms. These include a common input supplier that serves several clients and acts as a conduit, skilled workers changing jobs and carrying information with them or via social networks and links within the cluster. It is the social networks and the collective action that results from them that is of interest in this article.

Collective action could include joint negotiations with buyers including international buyers or with suppliers to the cluster. Often problems of quality and rapid delivery involve several firms in a vertical production chain and need joint action for all to succeed. This could be in terms of a sharing of specialized equipment, sharing of capacity depending on demand, product development or information sharing. Or it could be in terms of training and marketing.

Free riding could be an issue, as is true for most collective action, but there are examples such as in the formation of trade associations and holding of industrial fairs to benefit the cluster as a collective.[26] Naturally some benefit more than others but individual unit benefits are high enough to galvanize most of the cluster units.

Researchers have shown that firm behaviour can be driven by 'trust' and other forms of social capital as is true for interactions within communities in general. The presence of trust facilitates repeat transactions and hence reduces transaction costs because there is no need for repeated search for new suppliers.[27] Clusters like the Sialkot cluster are socially embedded in thick networks of ethnic, religious, local, caste and family relationships and hence can sanction deviant behaviour. Production and community overlap and serve each other by reducing transaction costs and facilitating information flows.[28]

4. Documentation of Success and Qualifications

The documentation now discussed attempts to show that the models identified in section 3 are qualified successes. Since, as shown in section 3, the models rely to an extent on tapping social capital, explicitly in the case of micro-credit and rural support and implicitly in the case of the cluster model, the success of the models could partially be attributed to this concept. However, this inference is certainly not direct empirical support. I draw on literature to briefly indicate how such tests have been performed in section 5 and suggest this as an agenda for follow-up research. I turn now to review the broad success of the models identified in section 3.

[26] Refer to Olson (1971) as a classic on the difficulties and conditions for collective action.

[27] Refer to Lodigiani, Missaglia and Lenti (2004) for a discussion of social capital in an industrial district context.

[28] Clusters in low-income countries such as those in Sialkot often fit into the supply or out sourcing end of value-chains. Refer to Nadvi and Halder (2002).

4.1 Micro-credit in Bangladesh

To document success, one can draw on literature of the key players engaged in micro-credit and also on the vast scholarly literature researching various aspects of the programmes. For example, the Grameen Bank website as of June 2004 mentions 3.8 million borrowers, a presence in 46,620 villages, $4.46 billion loaned since inception and a 99 per cent recovery rate. It also mentions that it stopped donor funding since 1995 and that all loans are now from internal sources; 68 per cent from deposits that have almost outstripped loans. The website states that that Bank has earned a profit every year except for 1983, and cites the work of over 20 independently registered spin-off companies like Grameen Telecom and Grameen Shakti (energy) that are earning a profit but are also driven by a social motive.

The scaling-up has been successful by all accounts and the big four—Grameen, Proshika, Association for Social Advancement (ASA) and Bangladesh Rural Advancement Committee (BRAC)—collectively served 13.7 million members and disbursed $7.46 billion as of June 2004. The Grameen Bank put the basic micro-finance model on the map and another indicator of its success is 233 replications in 55 countries by 2002.

Scholarly research assessing success has more nuances.[29] Zaman (2004: 14) reviews the evidence and concludes that literature 'supports the conclusion that micro-credit contributes to poverty reduction, but the evidence is not entirely clear cut' (also see Amin et al. 1999; Khandkar et al. 1994; Pitt et al. 2003). Most studies have methodological problems because either the sample is small or non-random, they rely on recall (problematic with an illiterate population that does not engage in record keeping), lack controls or have not controlled for selectivity (for inclusion in the programme).

There are also a number of other debates or qualifications in literature. Some critics argue that micro-credit does not reach the poorest for various reasons.[30] Another debate pertains to the cost-effectiveness of NGO directed micro-credit. The issue is whether direct service from the government could provide the benefits more cost-effectively.[31] Estimates show cumulative losses from 1986 to 1997 to be $187 million. Thus one could argue that the value of the social benefits would have to be priced at $187 million to justify subsidies.[32] One could argue

[29] Morduch (1999) argues that programmes like Grameen overstate their success and make bold claims that are unlikely to withstand close scrutiny.

[30] Ito (2003) argues based on her fieldwork that contingent renewal and incentives for future loans no longer motivate peer-group pressure and individuals in the group are beholden to the bank staff in a traditional patron-client setting. This makes banking on social capital less relevant.

[31] There is a related issue of the cost-benefit ratio. Khandker (1998) computes loans to women by Grameen Bank to have a cost-benefit ratio of .91, and Morduch (1999: 1593) argues that such estimates are a reasonable first-cut but based on a series of simplifications.

[32] While its website suggests that it is no longer taking donor money, other sources suggest that it continues to get government money that is channelled via donors at 1 per cent. Morduch

that the emphasis on poverty, inculcating savings habits, facilitating livelihoods and social development and the facilities and training it provides in this regard are well worth the loss, but a more careful costing of social programmes may be needed. Perhaps the sharpest criticisms are with regards to the lack of female empowerment (Goetz and Sen Gupta 1996; Mayoux 2001; Parmar 2003).

Based on these debates or criticisms, perhaps it would be fair to say that micro-credit programmes are not an unqualified success. Nonetheless, based on a review of the evidence and reviewing both sides of various debates, I would nonetheless argue that many poor are much better off with these programmes and that this innovation is a significant contribution on their behalf.

4.2 Rural Support Programmes in Pakistan[33]

The AKRSP model is acclaimed for tapping or harnessing and guiding social capital for improving well being and creating sustainable livelihoods.[34] Shoaib Sultan Khan, AKRSP's first general manager, referred to 'social capital construction' as early as 1992, when synthesizing the lessons of the organization in a public lecture. As of 31 May 2004, AKRSP had formed 4,238 village organizations (1,709 women's organizations and 2,529 men's organizations) with a membership of 155,440 households, catalyzed a total saving of half a billion rupees (Rs 500.29 million) and disbursed Rs 1.81 billion.[35] The original goal was for AKRSP to create sustainable VOs and phase out after 10 years. The retirement of the first dynamic general manager after 10 years provided an opportunity for strategic re-thinking by the AKRSP board. Although the staff could have been more included in this process, a new vision of a support organization is now well set and includes the concepts of technical assistance for communities and of building partnership (Smillie and Hailey 2001: 107–109).

The World Bank, a partial donor, has evaluated the AKRSP three times with the most recent report published in 2002.[36] This report concluded that between

(1999: 1590–91) computes the Grameen Bank's subsidy dependence index for 1985–96 to be 74. This information can be used to compute the percentage increase in the interest rate required to enable the Bank to operate without subsidies. Based on such a computation, Grameen Bank would have to increase its nominal interest rate of 20 per cent to a break-even rate on average of 32 per cent.

[33] This model of social mobilization for the creation of community organizations also applies to Joint Forest Management. Refer to Hedge et al. (1999) and Chetan and Vashisht (2005). Pretty and Ward (2001: 216) reported that by the turn of the century there were 20,000 forest protection committees and forest user groups managing some 1.85 million hectares of forests based mostly on their own rules and sanctions in India and Nepal.

[34] World Bank (1990) verified that income in the AKRSP programme area has doubled in the first ten years of the project.

[35] One $ was the equivalent of Rs 59.8 on 17 March 2006.

[36] The next few paragraphs draw on this report (World Bank 2002). The sample of VOs was purposive in consultation with project staff and not random and this needs to be taken into account in interpreting the numbers.

1991 and 1997, farm incomes had more than doubled in all except the most remote and challenging Astore area and attributed about one-third of this increase to AKRSP. Overall, the project was assessed to have been a remarkable success with the efficacy of its programmes either fully or highly satisfactory.

The estimated low-end economic rate of return (without including many of the positive externalities due to the programme) was 16 per cent that compared favourably with the opportunity cost of capital of 12 per cent during the period under study. Earnings in project villages were again estimated to be about a third higher than non-project villages. Many of the VOs are active and thriving organizations 18 years after their creation although others do not need to be and are dormant. The World Bank (2002) also concludes that the efficacy of the micro-finance programme has been substantial, natural resource management (NRM) has had a significant beneficial impact and the PPIs have provided substantial benefits.

Another way to access the success of the model is on the basis of its widespread adoption outside and inside the country. The model has been exported to India, Kenya, Mozambique and Tajikistan via AKF (Aga Khan Foundation) (World Bank 2002). Belying the scepticism that the AKRSP approach is unique to the relatively equitable social structures of the mountain areas of northern Pakistan, the model spread rapidly throughout the country.[37] Initially, a small group of professionals within the NRSP informally did the backstopping for the new programmes. Subsequently, the Rural Support Programme Network (RSPN), which now has 10 Rural Support Programme (RSP) members, was established in 2000 with the Department of Foreign International Assistance, UK support as a capacity building organization to provide programme quality guidance, strategic support and strategic planning assistance (Dastgeer 2001; Internal RSPN documents).

It also has a mandate to disseminate key lessons and best practice of the RSPs internally and to other organizations via internal and contracted research and to institutionalize the interaction of the RSPs with other civil society organizations. Support is also provided to RSPs in their initial phases in matters like expansion and portfolio management.[38]

As of May 2004, the 10 members of the network collectively operated in 70 of Pakistan's 106 districts, had formed 64,648 community organizations and had a total membership of over one million (1,099,905).[39] About 320,090 community activists have been trained, the communities have saved Rs 1.08 billion, and Rs 9.4 billion has been disbursed to about 1.2 million beneficiaries. Thus, the RSPs have collectively managed to go to scale.

[37] Again, the credit for this goes to Akhtar Hameed Khan and Shoaib Sultan Khan who persuaded their colleagues in government in senior positions by example or dialogue that this was an approach worth pursuing. A strategic partnership with donors, who liked what they saw, accelerated the process.

[38] In private conversation with the author, Shoaib Sultan Khan referred to the RSPN as a coordinating body of 10 independent 'owners' or organizations where key personnel periodically get together and exchange information.

[39] An average household size of eight means an outreach to 8 million people.

Rasmussen et al. (2004) point out that the method of replication and scaling up of the 'RSP movement' has been based on founding new organizations to extend provincial outreach rather than expanding an existing one. They point out that this has several advantages including the development of a broader leadership, local ownership, adaptation to local needs and proliferation of diverse experiences.[40] This mechanism of scaling up has also been non-threatening to governments compared to say the scaling up of BRAC in Bangladesh.[41]

As with micro-credit there are criticisms and qualifications. Some practitioners refer to it as 'the cookie cutter approach' as opposed to one that caters the social mobilization to the unique conditions of each village and builds on the social capital present. Again, one could argue that what really matters is whether or not the approach works.

A more serious qualification is the high operations/overhead ratio. This was estimated by the World Bank (2002) to be 50 per cent for AKRSP as compared to 5 per cent for the government in the same region. However, even here, one could argue that it still earned a return on capital greater than the market interest rate even without quantifying positive externalities. The two notable areas of weakness pointed to by the World Bank study were women's VOs and continued donor dependence. As AKRSP continues to re-invent itself, the latter is an issue it is trying to deal with.

Perhaps an important reservation regarding the success of the RSPs is the dearth of independent research given how defensive these organizations are regarding such research and scrutiny. While World Bank and other donor reviews are valuable; they are still in some ways 'in-house' as research conducted by donors. That notwithstanding, in many ways these organizations represent 'the only game in town' with regard to rural development, have gone to scale and are very successfully interfacing with the government poverty alleviation and devolution of power programmes.

4.3 Sialkot Surgical Goods Industrial Cluster[42]

Exports of surgical goods amounted to about $65 million between July and December 2004, close to about 1 per cent of Pakistan's total export earnings but about 20 per cent of world trade in surgical goods (Ghani 2002). The Sialkot surgical good industrial cluster has about 350 firms (30 large with > 100 employees), 1,500 sub-contractors and 1,000 suppliers of ancillary services.

[40] In summarizing the economic impact, Rasmussen et al. cite studies that suggest that membership in a CO resulted in 7.5 per cent higher household income and lower poverty levels. Also, 68 per cent ate better, 50 per cent cited health improvements and 85 per cent mentioned a sustainable increase in income resulting from access to credit.

[41] Founded in 1972 with the independence of the country, the BRAC website (http://www.brac.net) reports that it now functions in all the districts of the country and has a membership of almost 4 million women.

[42] This section draws on Nadvi (1999b).

Some examples of successful collective action based on the social networks among the businesses include an improvement of input quality, establishing a dry port and meeting the challenge of international standards. The quality of steel was poor and the US banned imports from Pakistan in 1987. The instrument producers successfully pressured and worked with the steel re-rolling mills to raise quality via trade bodies. The high transaction costs of exporting resulted in the cluster working together to set up a dry-port in Sialkot so that all the formalities and containerization could be handled there at a much lower cost.

There was a second ban on imports from Sialkot because the firms were not meeting quality standards. Again, the firms in the cluster organized, contributed, galvanized government financial and diplomatic support, hired foreign consultants and overcame the crisis. Within two years, 200 local firms were compliant with the US good management practices (GMP) and having done so easily certified for the ISO 9000 management standard, initially subsidized by the government. As Nadvi (1999a) correctly notes, this is remarkable for family-run firms with little knowledge of modern management practices.

Given that these firms also fiercely compete with each other, the possibilities of free riding limit social network based collective action. The roads and communications are poor, electric supply unreliable and there are no good hotels. Firms respond privately in the form of cell phones, generators, 4-wheel drives and rest houses (where guests are sheltered from competition). Basic infrastructure is what the state should provide to facilitate the cluster.

Despite the lack of basic infrastructure, the Sialkot industrial cluster demonstrates the possibilities of public-private partnerships with regard to getting some facilities (dry-port) and responding to the challenge of standards. It also demonstrates the possibility of local-foreign partnerships for export promotion. The German cluster in Tuttlingen, that had been dominating the market, successfully forged joint ventures with firms in the Sialkot cluster when the latter emerged as a low cost threat.

In the eighties, they sent metallurgical engineers to train partner firms on production engineering and quality control and Sialkot workers were trained in Tuttlingen. There were regular follow-up visits by technical, advisory and inspection teams. Initially the joint ventures meant out-sourcing job processing in Sialkot and product finishing, packaging and marketing in Germany. As metal forging improved in Sialkot and they reduced rejection rates from 7 to 3 per cent (1 per cent in large firms) via cooperation with local agents of large buyers in the US, many exported independently and some have even engaged in original brand manufacturing (OBM), the details of which are readily available on the websites established by these firms.

5. Quantifying the Role of 'Tapping' Social Capital

Baron et al. (2000: 26–31) discuss broad measurement challenges, although scholars have nonetheless attempted measurement. Narayan and Pritchett (1999) are among the first to have made the concept of social capital operational. Grootaert and van Bastelaer (2002) provide an account of the various ways in which it is measured depending on whether the empirical study in question is at a micro, *meso* or macro level. Haddad and Maluccio (2003) distinguish between measurement based on associational activity (membership in clubs and voluntary associations) and those based on the underlying mechanisms of trust, norms, rules and transactions cost and combine these for their empirical work. The World Bank has facilitated this process of measurement with the publication of Grootaert and van Bastelaer's work (2002). The Annex to their volume contains instruments for social capital measurement for practitioners that have been field tested in various countries and these are also posted on the World Bank website.

These tools naturally need to be adapted to particular cultural and social conditions and most valuable in this regard in the South Asian context are the two empirical studies by Krishna and Uphoff (2001, 2002). They developed a social capital index and found that it was positively and consistently correlated with superior development outcomes in both watershed conservation and cooperative development activities. They ruled out other hypothesis such as need, relative power, quality of government extension staff support, modernization or the lack there off, literacy and community heterogeneity that have been hypothesized in literature as influencing collective action. They found that villages that had stronger pre-dispositions and capacities for collective action, captured by the social capital index, performed better in land use management. Krishna (2001) showed, using a similar social capital index to measure the stock of social capital, that agency in the form of informed leadership capable of linking villages with local government and market opportunities, was necessary for this stock to yield a flow of development benefits.

These and the studies identified earlier are a good starting point to empirically explore the role that social capital plays in the success of the three initiatives identified in this study. The exercise will naturally be different in each case. The model of rural support is most closely associated with the empirical studies of Krishna and Uphoff (2001, 2002) in measuring the contribution of social capital to the effectiveness of collective action for rural development.

6. Summary and Conclusions

This article proposes that one can learn as effectively from successes as one can from failure. Successes are defined to include sustainable initiatives or models that are replicated, scaled up, exported and have a significant impact on well being. Successful initiatives in South Asia include state, private and civil society initiatives or some form of partnerships. This article identifies three successful initiatives in South Asia, two of which—micro-credit and rural support programmes—originated in South Asia and the industrial cluster model that took on a form unique to the region. This article selected initiatives in which the tapping of social capital represents a central element. The centrality of this concept to the models is demonstrated conceptually with support from literature.

I also draw on literature to demonstrate that these models represent qualified successes. Naturally tapping social capital is likely to represent only one element in explaining the successes of these models. Even though an empirical demonstration of the role of tapping social capital in these initiatives is beyond the scope of this article, I draw on literature to indicate that this concept can and has been made operational, indicate how and propose this as an agenda for future research.

The selected models are diverse enough to show how social capital can be made operational at various levels including the household (micro), community (*meso*) and more broadly (macro). The common themes that I have touched on include collective action, participation and partnerships, all of which I show are facilitated by tapping social capital and all are hypothesized to play a role in explaining the success of the models.

Building peer-groups or social organizations via social mobilization is slow and painstaking work and, if they survive, it may be because trust, norms, rules, procedures and productive social relations, or community social capital, are at the core of such social organizations. Thus I view created social organizations or indigenous associations as the shells that can be imbued with the spirit that represents social capital. In this regard, I agree with Fukuyama (2001) and Portes and Mooney (2003) that social capital is determined by unique historical processes and culture and may be difficult to create via outside intervention.[43]

Endorsing the tapping into or harnessing and guiding of social capital is important where the state has been unable to deliver due to a lack of resources or poor management, what the poor should be able to claim as citizen's rights. Thus, organizations that enable the poor to engage in collective action to protect rights and maintain and enhance services delivery are vital in the short- to medium-term until the political process can be used to make the state deliver. Thus, the hope is that such organizations would be less important in the long-term[44] when the state can play its rightful role of providing and maintaining basic infrastructure and providing essential social services that constitute basic human needs.[45]

[43] Krishna and Uphoff (2002) empirically test for the role of history in forming social capital and conclude that social capital is not necessarily path determined.

[44] Such organizations could switch their role from delivery to oversight to ensure quality delivery.

[45] Banuri and Amalric (1992) have referred to the unwillingness or inability of the poor to engage in collective action as 'de-responsibilization' resulting from the poor's dependency created due to the presence of an interventionist state. More relevant here, they document the crowding out, or impeding of, tapping social capital formation for collective action due to the presence of dominant state or market institutions such as the village headman or middleman. One problem is that while the dependency has been created, the delivery is either not forthcoming or is inadequate and of poor quality.

Most, if not all, efforts for harnessing and guiding social capital by development organizations are generally funded by foreign donors and to some extent by national governments. Thus, there is serious concern about both the justification and sustainability of such initiatives. The justification comes from the externality argument as indicated, among others, by Grootaert (1998). If it can be demonstrated that collective action results in the production of public goods that would otherwise be under-produced, a case can be made for inducing such collective action. Thus the group and often others outside a defined community can benefit from such collective action. Further, in so far as 'development' takes place and there is more prosperity, a market is created that benefits others. Finally, created village or community organizations provide a platform for multi-sectoral public and private sector interventions such as in agricultural extension services, education, health and natural resource management.[46]

Some critics charge that the concept of social capital is part of the neo-liberal agenda for paring back the role of government.[47] In fact, the government needs to stay involved in various ways for the effective tapping of social capital. First, government resources are involved in funding the development NGOs. Second, one of the key outcomes of collective action is the solicitation and procurement of state resources that would not otherwise be used or made available. This could be government or donor-resources directed towards micro-credit, resources of the government 'line agencies' for rural development and mediation and negotiation with foreign governments to buy time to build industry standards and using state standards' organizations to facilitate this via recognized registration and accreditation. Third, for industrial networks, the state can lend support to establish credibility for local-foreign capital partnerships. Fourth, it must provide the necessary infrastructure to facilitate export success. Apart from the latter role that draws on state funds, much of what is needed is recognizing the development potential of social capital in its various forms and facilitating it via enabling constructive partnerships.

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[46] Sorensen (2000: 14) points out that existence of social capital, such as farmers associations, in a village facilitates extension service, as they are more receptive and more willing to share information.

[47] Fine among others fits into this category.

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