

## METHODOLOGY OF ETHNO-CULTURAL RESEARCH ON IMPACT SOCIAL CAPITAL ON ECONOMY

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*Presented by the Scientific Committee of the 1<sup>st</sup> International Conference and the Institute of Economics and Business of the Tskhum-Abkhazian Academy of Sciences*

**Abstract.** Within last 50 years, one of the most important scientific problems, which has become the subject of scientific research for economists, sociologists, historians and psychologists, is the social capital. The concept “social capital” is not homogenous, and its etymological and linguistic explanation is not uniform; it belongs to the sphere of multidisciplinary research. In economic literature intensive discussion of the concept of “social capital” started in the beginning of the 1990s. Great interest of the scientists in the concept of “social capital” can be explained with the fact that the founders of the present theory distinctly determined the fundamentals of economically efficient functioning of the modern society, by such concepts as: social networks, trust, culture, etc. Analysis of the scientific literature clarifies that important studies on separate aspects of the social capital exist in the modern economic science; however, this problem, especially, its multicultural aspects and influence on business, has not been fully studied both from the viewpoint of theory and practice.

**Keywords:** *Social capital, ethnic groups, culture, measurement.*

**Introduction.** Analysis of the scientific literature shows that the term “social capital” has been introduced by renowned scientists - politologist [Putnam, 2001] and sociologist J. Koulman [Koulman, 2001]. Their scientific works were dedicated to study of different aspects of the social capital. To this problem J. Koulman dedicated more than one important studies, among them should be mentioned his fundamental work [Koulman, 2001], in which he explains the nature of social and human capital. Since the day of its publication the sphere of social capital research significantly widens and it becomes the subject of intensive scientific study.

Under the social capital we understand a complex of human relations, which experiences conversion in human, financial, physical and other forms of capital [Shengelia, 2017]. Existence

of such capital in the social groups promotes improvement of efficiency in production [Koulman, 2001], that's why this concept has occupied an important place in the theory and practice of modern management. The society, in which the social capital reveals positive influence on economic processes and events, is characterized by fast economic growth, and its members are given more opportunity for development. Social and economic capital can be characterized by common indicators, such as: opportunity of accumulation, liquidity, ability of conversion and growth, limitation, opportunity of transfer, etc. Unlike economic, an ability of accumulation of the social capital is not a material indicator, but it is specificity of the network, in which the individual groups act. The scientific studies outline existence of direct correlative relation between the social capital and economic development.

### **Origin and Development of the Conception of “Social Capital”**

We should search for the historical fundamentals of the concept of “social capital” in XVIII-XIX centuries. They are connected with the works of such authors, as Durham, Simmel, Weber and Tocqueville. Modern conception of the social capital originated in the fundamental studies of three renowned scientists - Bourdieu, Koulman, Putnam [Shengelia, 2016]. They developed modern interdisciplinary theory of the “social capital”. In 1916 the term “social capital” was first used by L. Hanifan in discussion “Important substances in everyday life of people”. He considered solidarity of groups and social relations to be such substances. Deep and comprehensive sociological analysis of the “social capital” is presented in the works of French sociologist P. Bourdieu. The author explains the “social capital” as the union of human potential resources, which are connected by institutionalized strong networks of mutual acquaintance and recognition [Bourdieu, 1986]. J. Koulman considers that the social capital is a potential of mutual trust and mutual assistance, which is being purposefully formed in the interpersonal relationships [Koulman, 2001]. Multicultural aspects of the theory of social capital were developed by F. Fukuyama and other researchers; this significantly determined current condition of scientific discussions in this direction. Quite objectively F. Fukuyama considers that trust is in excess in the society forming the social capital, which differs from other forms of capital by that it is being formed and transferred through such cultural mechanisms, as religion, traditions and historical habits [Fukuyama, 2000].

It is also clear that the conception of social capital is a logical development of the human conception. The scientists consider that trust, as a component of the social capital, stimulates reduction of transaction costs, promotes exchange of rich information and harmonization of different interests of the participants. Therefore, the person's reputation becomes an important active, which exercises great influence on deepening of trusting relations. Increase of the factor of interpersonal distrust causes increased expenses. Respectively, reduction in transactional

expenses of corporations can be considered as the result of putting investment into the trust and the social capital. Fundamental research on the trust, as a determinant of the social capital is given in the book of Francis Fukuyama “The Trust”, in which the author discussed the social capital as certain potential of the society or a part of it, which is built on the trust of its members. In Fukuyama’s opinion, trust among the members of the society is expectation that other members will behave more or less honestly, more attentively to the needs of others, in compliance with the general norms established in the society. A part of these norms is connected with the fundamental values (for example, perception of God and justice), but they also involve such universal issues, as professional standards and ethical code. Fukuyama also discussed the important influence that the social capital and the trust have on the rule of society economic life. He determined the direct connection existing between the level of interpersonal and organizational trust and motivation of the company employees [Fukuyama, 2000].

### **Influence of Cultural Determinants on Social Capital**

Scientific studies determined that nature of the social capital largely depends on the cultural determinants of the society. Namely, R. Putnam considers that the social capital is historically and culturally conditioned [Putnam, 2001]. In his book “The Trust” F. Fukuyama expresses consideration that the social capital has deep cultural roots. Fukuyama determined culture as “hereditary ethnic habit” and considered that ethnic codes, on the basis of which the society regulated behavior of people, made culture the most important part of the society [Fukuyama, 2000].

Culturological studies clarify relation of the social capital with such cultural measures, as individualism and collectivism. The social capital, as a rule, is more distinctly shown in individualistic cultures [Inglehart, Baker, 2000], despite the fact that this tendency spreads on such collectivistic cultures, as in Japan and South Korea, which are distinguished with “Confucian dynamism” and high degree of trust. Studies clearly show that these countries are rich and developed industrial states, in which positive dynamics of gross domestic product (GDP) per capita is conditioned by growth of individualism [Hofstede, 1997]. Proceeding from this we can suppose that high level social capital of these countries is, first of all, connected with definite norms of cultural relations (for example, in Japan and South Korea with Confucian religion the economic progress is based on trust, which dominates not only between the family members, but between different social groups as well), and also with growth of individualism in these cultures.

Social capital is a cumulative value and growth of its accumulation happens in the background of growth in social relations of the individual with other social layers. This is well seen in the individualistic cultures, where a man can be involved in different social groups and

has a high degree of trust with its members. In the collectivistic culture deep social relations get a man closer with a small amount of groups. In his researches F. Fukuyama stresses that culture has important influence of the social capital, which is reflected in economic life of the society, while trust, due to reduction of legal formalities and bureaucracy, promotes important reduction in organizational expenses. Cultural factors play a structure-forming role [Fukuyama, 2000].

Empirical studies [Shengelia, 2017] proved existence of direct correlation between the social capital and separate determinants of culture. Famous scientist R. Inglehart discussed relations between a level of trust, economic development of the country and cultural determinants according to the religious belonging [Inglehart, 2000]. From the historical viewpoint in protestant societies a level of interpersonal trust, compared with catholic societies, is higher that is conditioned by the principle of “serving God with labor”. This tendency is preserved even if we control economic development: Important correlation is between interpersonal trust and GDP per capita ( $r=0.60$ ). The author concludes that even rich catholic countries are historically at a lower scale than the protestant states [Berishvili, 2017].

#### **Measurement of Indicators of Social Capital in Ethnocultural Groups**

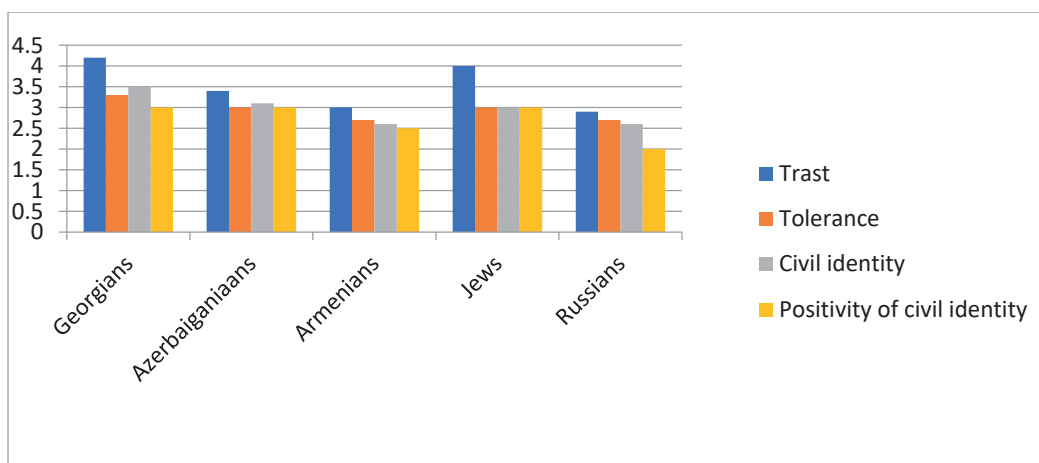
One of the main hypotheses of the present study is that ethnic cultures influence peculiarities of the social capital and practice of business. Table 1 shows main ethnic groups, in which in the social capital of Georgia were studied intercultural differences and the relation with economic determinants of the individuals. In the process of research were selected 578 representatives of five ethnic groups living in the central cities of Georgia (Tbilisi, Kutaisi and Batumi). The method of interviews was used in the process of research. Main goal of research was to measure the social capital of dominant ethnic groups in Georgia and to determine its influence on the business practice. In the process of interviews, a standard questionnaire was used [Shengelia T., Berishvili Kh. 2014]. Methodologically purpose of the research was to study structure of the social capital, social-economic views. Following ethnic groups were selected for research: Georgians, Azerbaijanians, Armenians, Jews, and Russians.

**Table № 1. Sample of study of social capital of different ethnic groups in Georgia**

Ethnic group	Number of people	Average age	Men	Women
Georgians	161	37	80	81
Azerbaijanians	130	35	75	55
Armenians	110	36	65	45
Jews	94	32	50	44
Russians	79	38	49	30

Results of measuring the social capital indicators in ethnic groups living on the territory of Georgia were reflected in histogram №1.

**Histogram №1. Measurement of the social capital indicators of five ethnic groups living on the territory of Georgia**



Histogram №1 shows that indicators of all components of the social capital are different between the ethnic groups. However, before discussing these differences it is necessary to determine to what extent they are statistically important (Table №2).

**Table №2. Differences in the social capital in compliance with Kruskal-Wallace criteria according to ethnic groups living in Georgia**

	Trust	Tolerance	Civil identity	Civil identity (positivity)
Georgians (Average rank)	443,9	445,2	436,3	433,4
Azerbaijanians (Average rank)	421,7	442,0	441,5	465,5
Armenians (Average rank)	417,1	404,2	387,6	388,5
Jews (Average rank)	401,1	366,0	370,9	380,9
Russians (Average rank)	325,5	439,1	445,3	510,2
$\chi^2$	11,0	16,3	14,5	23,0
p	0,05	0,006	0,013	0,001

In ethnic groups the lowest scores according to trust were revealed in Azerbaijanians, Armenians and Russians. In dominant ethnic groups living in Georgia the factor of trust is generally low, which is proved by other studies as well [Shengelia., Berishvili 2014]. The lowest indicator of trust is noticed in Russians - 3 scores on five-score scale and in Armenians (histogram 1), for other groups indicator of trust of middle group fluctuates approximately from

3 to 4 scores. Thus, results of the research showed that from 5 ethnic groups in 4, which significantly differ by ethnocultural determinants, the indicators of trust differ that is proved by Kruskal-Wallis H-criteria indicators. It is also important that differences exist inside the groups as well, but they are not principled; i.e. within one state it is less supposed that we'll be able to find groups, representatives of which possess very low or very high factor of trust. Therefore, we can conclude that in general a tendency of low trust dominates among the ethnic groups, which is preserved in separate ethnic groups independently of cultural peculiarities.

The research discussed an indicator of common tolerance (histogram 1), which involved indicators of tolerance among the representatives of different groups.

It can be said that common tolerance is lower in Russians and Armenians than in the representatives of other ethnic groups. In the process of estimation of tolerance indicator, we notice influence of culture of ethnic groups. At different stages of country modernization tolerance in ethnic groups can be different. Aboriginal groups, as a rule, are less tolerant towards the representatives of other groups.

According to civil identity main difference is that this indicator is low for Russians, Azerbaijanians and Armenians, but is high for Georgians and Jews. Similar tendency was fixed in the process of researching the positivity of civil identity.

Thus, if we sum up general indicators of the social capital in ethnic group studied in the research, we can conclude the following. In researched social groups trust and civil identity are low, but tolerance is higher. Proceeding from this if we consider the social capital at the macrolevel, only trust cannot always be a determinant of the social capital in the process of estimating the social capital in the polyculture society. It is insufficient to determine only interpersonal trust - it can be intergroup determinant of the social capital; such capital possibly won't go beyond an ethnic group. The social capital should be estimated systemically and outward group indicators of the social capital should be involved in the system parameters. At the social level it is: determinants of the civil identity and the level of tolerance. If we transfer determinants of the social capital of ethnic group on business practice, we can conclude that trust and tolerance play a negative role in business practice of the ethnocultural groups, when the civil identity is positively reflected in it. More than one studies were dedicated to this issue (see for example: Shengelia, 2017), in which influence of trust on development of a multinational company is studied.

**Conclusion.** Problem of the “social capital” is extensively discussed in economic and social sciences. Concept of the “social capital” is of non-homogenous and controversial nature. Difference in scientific approaches to this phenomenon complicates the methodology of its measurement. The social capital is in close relationship with the indicator of ethnic culture and

to some extent it is determined by this phenomenon. Due to this research of cross-cultural aspects of the social capital in the multicultural society and determination of their influence on development of business has become important in the process of studying the ethnocultural peculiarities of economic development of countries. Georgia belongs to such countries. The scientists proved that degree of trust is connected with economic success of the country. It is considered that in the cultures, in which trust is higher, business expenses reduce. In such countries a level of investment is higher. In the process of determining the influence of the social capital determinants on business practice in dominant ethnic group in Georgia, it was proved that trust and tolerance play a negative role in development of business, while civil identity is positively reflected in it.

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## სოციალური კაპიტალის ეკონომიკაზე ეთნო-კულტურული გავლენის კვლევის მეთოდოლოგია

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კონფერენციის სამეცნიერო კომიტეტისა და ეკონომიკისა და ბიზნესის  
ინსტიტუტის მიერ*

**აბსტრაქტი.** ბოლო 50 წლის განმავლობაში ერთ-ერთი უმნიშვნელოვანესი სამეცნიერო პრობლემა, რომელიც გახდა ეკონომისტების, სოციოლოგების, ისტორიკოსებისა და ფსიქოლოგების სამეცნიერო კვლევის საგანი, არის სოციალური კაპიტალი. ცნება “სოციალური კაპიტალი” არ არის ჰომოგენური და მისი ეტიმოლოგიური და ლინგვისტური ახსნა არ არის ერთგვაროვანი; ის მულტიდისციპლინარული კვლევის სფეროს განეკუთვნება. ეკონომიკურ ლიტერატურაში “სოციალური კაპიტალის” კონცეფციის ინტენსიური განხილვა დაიწყო 1990-იანი წლების დასაწყისში. მეცნიერთა დიდი ინტერესი “სოციალური კაპიტალის” კონცეფციით აიხსნება იმით, რომ დღევანდელი თეორიის ფუძემდებლები მკაფიოდ განსაზღვრავდნენ თანამედროვე საზოგადოების ეკონომიკურად ეფექტიანი ფუნქციონირების საფუძვლებს ისეთი ცნებებით, როგორცაა: სოციალური ქსელები, ნდობა, კულტურა და ა.შ. სამეცნიერო ლიტერატურის ანალიზი ცხადყოფს, რომ თანამედროვე ეკონომიკურ მეცნიერებაში არსებობს მნიშვნელოვანი კვლევები სოციალური კაპიტალის ცალკეულ ასპექტებზე, თუმცა, ეს პრობლემა, განსაკუთრებით მისი მულტიკულტურული ასპექტები და გავლენა ბიზნესზე, ბოლომდე არ არის შესწავლილი როგორც თეორიის, ასევე პრაქტიკის თვალსაზრისით.

*საკვანძო სიტყვები: სოციალური კაპიტალი, ეთნიკური ჯგუფები, კულტურა, გაზომვა.*