

Determinants of Social Capital and Its Role on the Social and Economic Outcomes: Household Level Study, the Case of South Wollo Zone, Ethiopia

Abrham Molla Ademe¹, Getabalew Cheru Wolde, and
Serke Tilahun Alemu

Department of Economics, College of Business and Economics, Wollo University

¹Corresponding author: abrhsha411@gmail.com

Abstract

Social capital encompasses the connections, relationships, and norms that support cooperation and collaboration within a community. Scholars emphasize that social capital is essential for encouraging civic participation, promoting community development, and improving overall well-being. This study examines the determinants of social capital and its role in influencing the socio-economic outcomes of rural households in Ethiopia. It identifies unique dimensions of social capital, such as social networks, trust, reciprocity, and informal group participation, and evaluates their impact on the social and economic indicators among rural households. A mixed-methods approach was employed, integrating descriptive and inferential analyses. Data were collected through structured questionnaires from 204 rural households across three woredas in South Wollo, Ethiopia. Descriptive statistics were used to explore socio-economic roles, while logistic regression assessed determinants of participation in social capital dimensions. The study reveals that social capital significantly influences the social and economic outcomes of rural Ethiopia. The findings underscore the importance of social capital in reducing transaction costs, promoting resource sharing, facilitating community development, and addressing rural poverty. Notably, factors such as family size, gender, and homeownership positively influence households' participation in social capital, while employment status and ethno-religious diversity have a negative impact. The study concludes that strengthening social ties within rural communities is vital for promoting social stability and economic prosperity. It recommends that community leaders and policymakers enhance social capital as a pathway to sustainable development.

Keywords: Social capital, logit model, economic outcome, social outcome

Introduction

Social capital stands for the ability of actors to secure benefits by virtue of membership in social networks or other social structures (Prayitno *et al.*, 2024:4). Through trust, sharing, reciprocity, and collective action, individuals or groups can expand their capacity to access resources and thereby address their own needs or interests (Warren *et al.*, 2000:22). Social capital thus can be considered as a tool in facilitating community activities (Kassahun, 2010:126). The existence and strength of social capital in a community is reflected in the coordinated or networked actions of individuals, organizations, and community institutions as they work together toward a common goal in a community (Alemu & Tola, 2020:22).

Social capital leads to positive socio-economic outcomes by reducing transaction costs, creating new forms of information exchange, and inducing change in individual attitudes (Zak & Knack, 2001:311). It also revealed that individuals with high levels of social capital tend to be volunteers in their communities and get together more frequently with friends and neighbors. They are also more likely to trust or to think kindly of others (Putnam & Goss, 1995:67). Strong social organizations and relations reinforce the building of community capacity for development in both social and economic outcomes of the community (Alemu & Tola, 2020:23). It is believed that inter-agent interactions that form social capital are essential and have become more important for understanding socio-economic outcomes and further explaining social phenomena (Durlauf, 2002:465). Studies proved that social capital could contribute towards the success of community development efforts, and it provides access to resources to the community (Kassahun, 2010:134).

In developing countries, social capital provides certain mutuality, a life of insurance, community development insurance, economic well-being insurance, crime prevention insurance, and unemployment insurance (Kirori, 2015:37). Studies confirmed that economic growth, resilience, sustainability, community development, and social stability of a community depend on the availability of community resources operationalized as social capital (Tirmizi, 2005:34). Success of community development efforts and socio-economic outcomes will vary by the strength and quality of the social capital it possesses (Aritenang, 2021:21). Social capital enables households to generate livelihood sources that support non-monetary forms of exchange (Kirori, 2015:29).

Ethiopia, the land of rich cultural heritage, remarkable historical sites, diversified customs, and traditions, is also known by its deep-rooted social assets, which can be termed as social capital. It is undeniable that customs and traditions play a significant role in shaping the socio-economic landscape of Ethiopian society (Hassen, 2016:29). The country's rich cultural heritage, characterized by over 80 distinct ethnic groups, influences various aspects of daily life, including agricultural practices, social interactions, and economic activities. Traditional customs often dictate community engagement and social capital, which are vital for economic cooperation and support systems. For instance, communal agricultural practices and

seasonal festivals not only reinforce social bonds but also contribute to food security and local economies (Tadesse, 2024:122).

However, these customs can also present challenges, particularly in urban areas where modernization and globalization introduce new economic practices that may conflict with traditional values. In addition, the influence of customs and traditions extends to gender roles and educational practices within Ethiopian society. Traditional expectations often limit women's participation in the economy, affecting overall productivity and economic growth. Moreover, the methods of knowledge transfer rooted in customs can either enhance local economies through the preservation of traditional skills or hinder progress by resisting the adoption of modern techniques (Abebe, 2008: 101). Yet, the current study didn't focus on the customs and traditions that are prevailed in rural parts of Ethiopia due to the fact that the study used three different study districts having with varied traditions and customs. Thus, due to measurement difficulty and variation in traditions among the study locations, this study didn't take in to account customs and traditions.

In Ethiopia, the habit of solidarity, reciprocity, trust, social cohesion, and social networks has been the common manifestation and the way of living of the rural communities (Endris *et al.*, 2017:11). Proudly speaking, as it has been endowed with cultural and historical resources, Ethiopia has been gifted with various indigenous and endemic social capitals that are endorsed by specifically in the rural area (Samson, 2010:27). However, in recent times, the role of social capital is becoming a critical issue, and the habit of practicing social capital in the country is alarmingly declining from time to time. Perpetuating social tensions, social unrest, regional conflict, and the expansion of local bandits are becoming the current features of the country and affecting the lives of the rural community. As a result, in Ethiopia, rural communities at present are experiencing social, economic, and political difficulties due to the degradation of social relations and norms of togetherness between individuals and groups. People are also confronted with challenges of internal displacement due to continuous internal war and social conflict in the country and by the local socio-political and socio-economic crises. Political problems (problems arising from access to allocation or control over resources), lack of effective leadership, influence of special interest groups, lack of community linkages to secure needed resources, weak civil society organizations, and lack of consensus and trust are all contributing factors that affect community development and socio-economic outcomes of the rural community in Ethiopia.

All the cases explained earlier imply that social capital is an inevitable element in social development, social stability, peacebuilding, economic well-being, and building resilience of the poor or rural community of Ethiopia (Alemu & Tola, 2020:22; Kassahun, 2010:131). In rural Ethiopia, social relations and mutual support are embedded under a complex social structure. As such, attempts to study social capital and its links with socio-economic outcomes need to consider not only the social and economic indicators of the community but also the determinants of social capital among the rural community.

This study intends to identify the very distinctive features or dimensions of social capital that are embedded in the local and rural areas of Ethiopia and try to show its role in the socio-economic outcomes of the rural communities or households. There are endemic social capital indicators in the rural parts of Ethiopia that every society commonly shared to achieve their mutual social and economic activities and benefits. Among those various social capital indicators, Iddir,¹ Ekub², Debo³, and Shimglina⁴ are the most endemic social capital dimensions in rural Ethiopia. These dimensions play a paramount role in facilitating local and community developments, sharing information and knowledge among the people, promoting material, labor, and financial support, sharing the sorrow and happiness of the community, and eradicating local and community crimes and instability. Hence, to make the concept clear, we combined the dimensions mentioned above into one single social capital indicator, which is so-called “*informal local membership or participation*,” which is like what Putnam terms a “membership group.” Besides those indicators, we also added other additional social capital dimensions or indicators to know the role of social capital on the socio-economic outcomes in our study.

As far as our knowledge, no prior study was conducted that focused on the role of social capital on the socio-economic outcomes of the rural household in rural Ethiopia, and the determinants of social capital at the household level were also not investigated well. In fact, there are very limited research studies conducted in Ethiopia in social capital related topics (Belay, 2020; Endris *et al.*, 2017; Kassahun, 2010; Mengesha *et al.*, 2023; Woldehanna *et al.*, 2022; Yayeh *et al.*, 2024; Yayeh & Demissie, 2024), but these studies did not assess the socio-economic role of social capital in the rural households of Ethiopia along with its determinant factors.

Therefore, having various literature evidence of social capital dimensions and Ethiopia’s specific social capital indicator, we called earlier “membership group or participation,” this study is needed to uncover and fill this research gap by focusing on the following three basic research questions: Are social capital dimensions linked with social outcome indicators of the rural household? Are social capital dimensions linked with economic outcome indicators of the rural household? What are the determinants of social capital at the rural household level?

Materials and Methods

Research design and approach

Research design is the conceptual structure within which research is conducted. For triangulation and validity, this study used explanatory research design. For this study, cross-sectional survey data was used. Besides, this study

¹ Informal funeral group

² Informal financial group

³ Informal labor sharing group

⁴ Informal conflict resolution group

employed both qualitative and quantitative research approaches. Accordingly, to address the socio-economic role of social capital, the study employed qualitative analysis while the determinants of social capital were estimated via quantitative analysis.

Sources and collection methods of data

This study used both primary and secondary data sources. Primary data (both qualitative and quantitative) was collected directly from sample respondents by administering pre-tested structured questionnaires. The questionnaires were first prepared in English, and later they were translated into the local language (Amharic) so that the respondents could easily understand the questions. The questionnaires were used to assess the role of social capital, the determinants of social capital, and other demographic and socio-economic characteristics of the respondents. Secondary data was reviewed and organized from various documents, both published and unpublished, which were relevant to the study.

Sampling procedures and determination of sample size

This study employed a two-stage sampling procedure to select the study area and sample respondents. The first stage was the selection of the study district (woreda); among the total of thirty woredas in the South Wollo zone, three woredas were selected for this study randomly. Accordingly, Jama, Dessie-Zuria, and Delanta woredas were the selected woredas for this study. In addition, nine rural kebeles were selected randomly, three kebeles from each of the three selected woredas. The second stage was the selection of sample respondents. The sampling frames of the respondents in each selected kebele were obtained from each respective sample kebele's administrative offices. The sample respondents at each selected kebele were selected randomly via a probability proportionate to size procedure, and thus 204 sample respondents were used as a sample. The sample size was determined by using a formula developed by (Yamane, 1973) . The selected woredas, total households, and sample respondents are explained in detail.

$$n = \frac{N}{(N+1(e^2))} = \frac{86064}{86064+1(0.07)^2} = 204$$

Where:

e= level of precision (7%)

n= is the sample size

N= is the population size (86,064)

Table I: Selected woredas, total number of households and sample size

Selected woredas	Total household size of each selected woredas	Selected sample size in each selected woredas
Dessie-Zuria woreda	31,933	75
Jama woreda	28,919	69
Delanta woreda	25,212	60
Total	86,064	204

Methods of data analysis

After data collection, editing, and coding were completed, it was entered into computer STATA version 14.0 software. To this study, the collected data was analyzed in different ways. Based on the objectives of the study, both descriptive and econometric analyses were adopted. As descriptive statistics, frequency distribution, and percentage distribution via tabulation and figures were employed to analyze objectives that had focused on the rural household-level role of social capital in the study area. Whereas econometric analysis was also aided to estimate the determinant variables that influence households’ participation in social capital dimensions in the study area. Hence, for this objective, the study employed a binary logistic regression model.

Model specification

To make the study vivid, as we explained in the method of analyses section, in this study, the major objective was intended to show the role of social capital for the social and economic outcomes among the rural households. Therefore, to uncover the rural household-level role of social capital, we adopted qualitative analyses rather than econometric models.

Whereas, to address the quantitative objective (determinants of social capital), we used a logistic regression model. The dependent variable was household’s participation in at least one of the social capital dimensions or indicators identified by the researcher based on past studies and literature and along with its determinant factors. To get quantitative data, we asked respondents a dummy response question by saying, “*Did you ever participate in at least one of the social capital dimensions available in your community?*” The response for this question became “yes/no” with a value of 1 and 0, respectively, which is a dummy response indeed, and that is why we used a logit model in this study.

Therefore, to identify the dimensions or indicators of social capital, we adopted various literatures (Alemu & Tola, 2020; Bourdieu, 1986; Coleman, 1990; Kassahun, 2010; Putnam & Goss, 1995; Stone, 2001; Woldehanna et al., 2022;

Yayeh & Demissie, 2024). Following with the literature, we identified five social capital dimensions for this study. These are social networks, trust relationships, social cohesion, collective action and cooperation, membership in informal groups, and reciprocity. Having this, the logistic regression model specification can be described as follows.

According to Gujarati (2002), the probability that an individual household is participating in at least one of the five social capital dimensions for known values of each regressor variables is given by.

$$P_i = \frac{1}{1+e^{-Q_i}} \text{----- (1)}$$

Where $Q_i = \beta_0 + \beta_i X_i$. P_i is a probability that the i^{th} household is participating in social capital dimensions in the community; β_0 is the constant; β_i 's are the slope parameters; X 's are the explanatory variables that expected to determine household participation in social capital dimensions and, e is the base of natural logarithm. For mathematical demands of negative exponents, the above equation can be re-expressed as follows:

$$P_i = \frac{e^{Q_i}}{1+e^{Q_i}} \text{----- (2)}$$

On the other hand, a probability that a household is not participating in at least one of the five social capital dimensions equals the value left after equation (2) is deducted from unity and given by;

$$1-p_i = \frac{1}{1+e^{Q_i}} \text{----- (3)}$$

The odds ratio in favor of a household to participate in social capital dimension is given by the ratio of the two probabilities above as computed here under.

$$\frac{1}{1-p_i} = e^{Q_i} \text{----- (4)}$$

Linearizing equation (4) for estimation purposes necessitate expression of it in its natural logarithm. Taking the natural log of equation (4), we finally obtain the following expression.

$$L = \ln \left[\frac{p_i}{1-p_i} \right] = \ln(e^{Q_i}) \Rightarrow \beta_0 + \beta_i X_i + U_i \text{----- (8)}$$

Where, $L = \text{Log}$ of the odds ratio and U_i is the white noise/error term.

Finally, we can specify the binary logit model using the variables included in the current analysis following the procedure above.

$$L = \beta_0 + \beta_1 \text{Age} + \beta_2 \text{Education} + \beta_3 \text{Family size} + \beta_4 \text{Gender} + \beta_5 \text{Social status} + \beta_6 \text{Marital status} + \beta_7 \text{Ethno-religion} + \beta_8 \text{Employment status} + \beta_9 \text{Home ownership} \text{----- (9)}$$

Variable description and working hypothesis

In this study the dependent variable was household participation in social capital dimensions in the rural community. It was a dummy dependent variable with a yes/no response. The predictor variables that were expected to influence household participation in the study area were also presented in detail.

Table II: Descriptions of the dependent and independent variable and its expected hypotheses

Variables			
<i>Dependent variable</i>	Variable descriptions	Measurement	Hypothesis
Household participation	If a household participated in at least one of the five social capital dimensions in the local community	Dummy =1 if yes, and = 0 if no	
<i>Independent variables</i>			
Education level	Households' education level	Continuous	+/-
Age	Age of household head	Continuous	+/-
Home ownership	Households who own housing unit	Dummy = 1 if yes and = 0 if no	+
Gender	Gender of households	Dummy= 1 if Male and =0 Female	+/-
Employment status	If a household is engaged other than farming	Dummy = 1 if yes and = 0 if no	-
Marital status	Households' marital status	Dummy = 1 if married and = 0 if single	+/-
Family size	Households number of family member	Continuous	
Ethno-religion	If a household based their ethnicity and religion to form social capital in the community	Dummy = 1 if yes and = 0 if no	-
Social status	If a Households social status (living status and income level) is low	Dummy = 1 if yes and = 0 if no	+/-

Results and Discussion

1. Descriptive analysis

The result revealed that participant and non-participant respondents' average age was 48 years, with an average education level of 4.5 and 4.8 years of schooling for participant and non-participant sample respondents, respectively. The mean comparison test regarding household age and education level shows no significant difference between the two groups. The implication is that both participant and non-participant respondents were found to have similar demographic features. However, respondents may differ in terms of others' socio-economic and living status backgrounds. Concerning household family size, the result indicated that the average number of family members for participant and non-participant sample respondents was 5.21 and 4.31, respectively. The mean comparison test result also shows there was a significant difference between the two groups in terms of the number of family members at the 5% level. It implies that households with larger family members may build various social networks, ties, and memberships and actively participate in local informal institutions as compared to low-family-member households.

Table III: Summary of household characteristics for continuous variables

Variables	Participant households			Non-participant households			t-value
	Obs	Mean	Std.dev	Obs	Mean	Std.dev	
Age of the household	115	48.371	9.772	89	48.892	11.845	0.347
Education level of the household	115	4.543	3.004	89	4.851	3.462	0.678
Family size of the household	115	5.212	1.436	89	4.314	1.703	4.499**

Note: *** $p < .01$, ** $p < .05$, * $p < .1$, respectively

Source: own computation (2024)

Regarding respondents' characteristics for categorical variables, the result showed that the majority (71% and 72%) of the respondents for participant and non-participant groups were male-headed, and about 60% and 56% of the respondents were married, respectively. It implies that individuals who are male and married may have a better opportunity to develop social networks, linkages, memberships, and forms of social cohesion and reciprocity than individuals who are women and single. In addition, participant respondents who engaged in farming activities and owned a house were 80% and 69%, respectively, while 20% and 31% of non-participant respondents engaged in other activities other than farming and did not

have their own house in the study area, respectively. It implies that households whose main job is farming and who have a house for permanent residents may better participate in social capital dimensions compared to households that do not have such characteristics in the study area. Moreover, with respect to a household's social status and ethno-religion, the result revealed that around 70% and 69% of participating respondents were found in a better living status, and they were also formed and established social capital not based on their ethnicity and religion. Whereas 66% and 51% of non-participant respondents were found in low living status, and they form and establish social relations, membership, and networks based on their ethnicity and religion. Finally, the Pearson chi-squared test result implies that households that are married, own a house, and have better living status, and those who do not consider their ethnicity and religion to form social capital, could have better participation in social capital dimensions in the rural community compared to households that lack the features.

Table IV: Summary of household characteristics for categorical variables

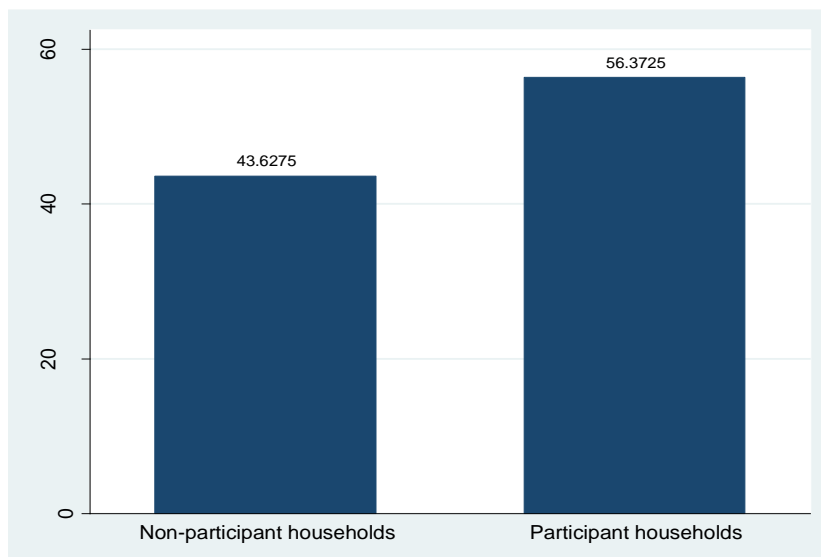
Variables	Response	Participant households		Non-participant households		Pearson χ^2
		Frequency	Percent	Frequency	Percent	
Gender	Male	82	0.71	64	0.72	0.372
	Female	33	0.29	25	0.28	
Marital status	Married	70	0.60	50	0.56	7.539** *
	Single	45	0.40	39	0.44	
Employment status	Farming	92	0.80	69	0.78	2.535
	Other than farming	23	0.20	20	0.22	
Ethno-religion	Yes	35	0.30	59	0.51	18.552* *
	No	80	0.70	30	0.49	
Homeownership	Yes	79	0.69	30	0.34	3.756**
	No	36	0.31	59	0.66	
Social status	Poor living status	36	0.31	59	0.66	6.275**
	Better living status	69	0.69	30	0.34	

Source: own computation (2024)

In the study area, out of the total sample respondents, 56.4% of households participated in at least one of the five social capital dimensions or indicators

identified in this study in their community. Whereas 43.6% of sample households were found to be non-participants. It shows that although more than half of the sample respondents participated in social capital dimensions, the rate of participation in the study area of the rural community was very low at 43.6%, which needs greater attention to improve their participation indeed.

Figure 1:Percentage distributions of households' participation in social capital dimensions



Source: own computation (2024)

The role of social capital on rural households' social and economic outcomes

It is believed that in the rural community, inter-agent interactions that form social capital are essential and have become more important for understanding social and economic outcomes through the improvement of living conditions and way of life, reduction in transaction costs, promotion of social life, reduction of crime and instability, reduction of opportunistic behavior, facilitation of resource sharing, and poverty reduction.

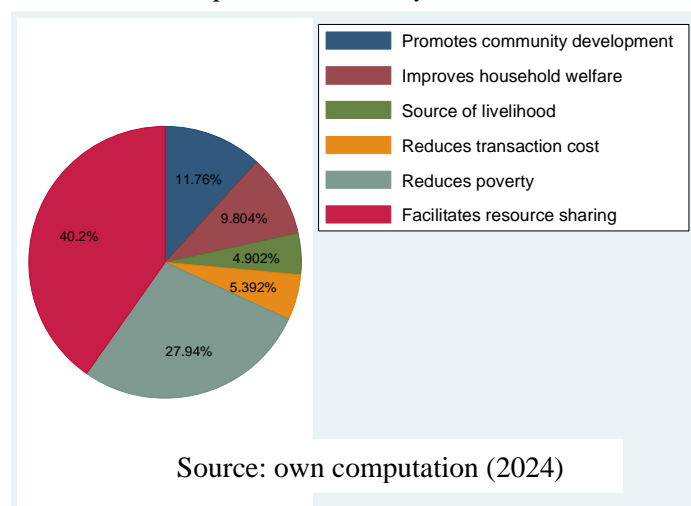
This study provides strong support for the significant role of social capital in resource transfer between the members of rural households. The result indicated that the majority (40.2%) of the respondents proved that participation in social capital dimensions between members would provide a paramount effect in facilitating resource or input sharing in the rural household. This is because in rural Ethiopia, the pattern of reciprocity, social cohesion, and membership group in local associations is a common phenomenon that further provides labor, raw material, and capital transfer between member households of the community. In line with this finding Kassahun (2010:131) argued that resource sharing is highly associated

with increased participation in local associations, trust in the community, social networks, and patterns of reciprocity among inhabitants in the locality. Warren *et al.*, (2001:18) also found that social capital dimensions such as network, trust, social cohesion, and reciprocity, which are features of social life, enable the participants to act collectively to have a shared vision in resource transfer.

It was also found that in the study area, social capital could play a substantial role in alleviating poverty among the members in the community, and it was supported by a 27.9% response rate of sample respondents. This implies that in the rural community, households that are members of various social capital dimensions could have the opportunity of getting finance and property that are necessary to produce more, raise income, and reduce poverty among households. A study conducted by Woldehanna *et al.*, (2022:16) confirmed that regions or communities with higher levels of trust and reciprocity positively correlate to the level of poverty. He also added that cooperation among the people in the community leads to a reduction in poverty, and it is also more effective in reducing income inequalities and disparities between individuals and among the community. In addition, Yayeh & Demissie (2024:291) also argued that social capital has a positive effect on poverty reduction by decreasing levels of income inequality and by increasing per capita income in the rural household.

Social capital also results in sustainable community development in the rural household. In this study, 11.76% of sample respondents argued that social capital is relevant in promoting community development in the rural households via improvement of living conditions and way of life in the community. Following this, around 9.8%, 5.4%, and 4.9% of sample respondents responded that social capital plays a relevant economic role in improving welfare, reducing transaction costs, and providing means of livelihood opportunity for the rural household, respectively.

Figure 2: Percentage share representing the economic role of social capital in the study area

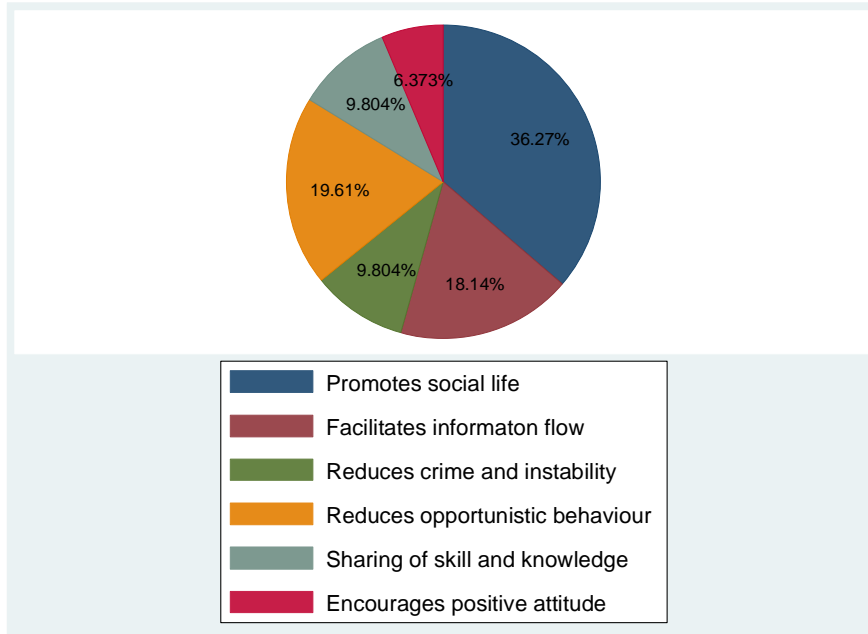


The study reveals the role of social capital on social outcome indicators among the rural households. This study shows that out of the total sample, 36.27% of respondents answered that social capital could have a significant role in promoting social life between members. This is since individuals who are members of various social capital dimensions in the community would be more likely to get intimacy and support from others. The possibility of getting relevant help becomes greater for those who are participating in social reciprocity, social cohesion, and networks than for individuals who do not have access to it. In line with this study, Tirmizi (2005:13) suggested that individuals who are members of different social activities, norms, networks, and social institutions could have paramount social support and cooperation. He also argued that in communities with dense social networks, citizens and neighbors continuously and informally exchange information on social issues, which may facilitate active interference to prevent possible incidents in the community.

Concerning the role of social capital on people's opportunistic behavior, this study found that 19.61% of respondents responded that social capital could play a great role in reducing people's opportunistic behavior in the rural community. It is because of the reason that social capital and social interactions among the community could raise the level of trust among citizens, altruistic behavior (involvement in charity and voluntary contributions or donations), and participation in activities that serve the community at a more abstract level. Coherent with this result, past studies emphasized the role of repeated social interactions in solving free-rider problems and in reducing opportunistic and selfish behavior (Bowles & Gintis, 2000:23). They also argued that preventing egoistic behavior among individuals is mainly achieved through the enforcement of informal norms, values, and customs.

The study also confirmed that social capital could facilitate the flow of information among the rural households. It was presented that 18.14% of respondents argued that social capital has a role in facilitating information flow in the rural household. This is because social capital addresses information problems that hinder trade and exchange of information among individuals. According to Kirori (2015:45), the importance of social networks in diffusing information on labor market opportunities constitutes a good example of how social capital could create new ways for information exchange. He also argued that social networks among small firms and households play a crucial role in exchanging information about new technological developments in the rural community. In addition, 9.8% of sample respondents confirmed that social capital can reduce crime and instability in the community, and it also promotes sharing skills and knowledge between member households in the study area.

Figure 3: Percentage share representing the social outcome role of social capital in the study area



Source: own computation (2024)

2. Econometrics Analysis

Determinants of household's participation in social capital dimensions

This section summarizes the econometric results on the determinants of social capital among the rural households. As we explained earlier, to show the effects of different explanatory variables on household participation in social capital dimensions, we adopted a logistic regression model. Hence, among the nine explanatory variables included in the model, five variables were found to have a statistically significant effect on the dependent variable. Consequently, ethno-religion and employment status negatively affected household participation in social capital dimensions at the 1%, and 5% levels of significance, respectively. Family size, gender, and homeownership were statistically and positively affecting household's participation in social capital dimensions at the 1% and 5% levels of significance, respectively.

Table V: Marginal effect estimation after logit on
to the determinants of social capital

Variables	MFX(dy/dx)	Std.Err	z	p> z
Age	0.0092	0.0040	0.23	0.819
Education	-0.0197	0.0155	-1.27	0.205
Gender	0.4498	0.0891	5.05	0.000***
Marital Status	-0.0153	0.0911	-0.17	0.866
Employment Status	-0.2236	0.0921	-2.43	0.015**
Ethno-religion	-0.3141	0.1021	-3.40	0.001***
Home ownership	0.2028	0.9515	1.99	0.047**
Family size	0.106	0.0293	3.63	0.000***
Social status	-0.065	0.0952	-0.63	0.490
Number of observation				204
Pseudo R2				0.276
LR Chi2(9)				76.75
Prob>Chi2				0.000

Source: own computation (2024)

Gender of the respondent:

Gender of the household head is also a determinant of social capital. It was hypothesized that being male as opposed to being female appears to increase the probability of participation in social capital. The coefficient of this variable is statistically significant at the 1% level. Specifically, being male increases the odds in favor of being a participant or member of various social capital dimensions in the community by over 0.45% in the study area. The implication is that even if women participate in the labor force and are thus exposed to a series of at least work-related social organizations, participation in many social activities and memberships, women spend much of their time carrying most household and family obligations. In similar token, Katungi *et al.*, (2007:183) argued that, compared to men, women in rural Africa tend to have a higher opportunity cost of time, and gender norms in the community sometimes constrain their social interactions. In addition, Lavoro (2005:21) also showed evidence of differences between men and women with regards to group membership in Europe. He argued that being male as opposed to being female was found to have a higher probability of engaging in group membership.

Employment status:

In this study the employment status of the household seems to be more important in determining the individual's incentive to be a member or participant of many social activities and associations in the rural community. Individuals being employed and engaged in any occupations other than farming activity create a

stronger disincentive for participation in local and community membership. The estimated coefficient of this variable is found to be statistically and negatively significant at below the 5% level. In any case, households who are engaged in and participating in any public-related jobs other than farming reduce the odds of being a participant or member of various social capital dimensions by around 0.22. This finding is deviated from the findings of Asadullah (2017:531) who argued that being unemployed reduces the individual's tendency of being group membership in the community. However, our suggestion regarding the negative impact of employment status lies with the reason that in the rural community, households may need to spend their social life, time, and labor with individuals who have similar circumstances and characteristics rather than those who are seeking public jobs. Hence, rural households usually develop and start any social relation, network, social activity, and membership with those who are very similar to them.

Homeownership:

Homeownership was one of the variables that was expected to influence a household's participation in social capital dimensions in this study. As was expected, homeownership was found to be statistically and positively affected by a household's social capital participation at a 5% significance level. The marginal effect result indicated that individuals having their own house increase the probability of participating in social capital dimensions in the rural community by 20.2%. In other words, individuals owning their own house increase being members or participants of social activities and associations in the community by 0.202. This implies that if rural households own a house to live in and settle permanently, they are being open to form social relations and linkages. Coherent to the study Katungi *et al.*, (2007:172) confirmed that individuals who have their own house, whatever it is made from, were found to be positive and significantly affect social trust and reciprocity, and develop social life with their neighbors and relatives to live together and share every social event.

Family size of the respondent:

It was found to be statistically and positively affects household participation in social capital dimensions at a 1% ($p=0.000$) significant level. The marginal effects showed that other things remain constant as family size rises by one member; household's participation and membership in social capital dimensions increases by 10.6 percent. In another way, households having higher families increases the odds in favor of being a participant or member of various social activities and associations. This is since family and friendship ties enhance the formal and informal social networks, norms, values, and trust between the community, and it promotes solidarity between members. It also promotes and encourages the density of membership and level of participation in formal and informal associations in the community. This finding is in line with Ferragina (2013:22), who suggested that

household family size was strongly linked with participation in social capital dimensions among the community.

Ethno-Religion:

In this study, religion and ethnicity were found to be negatively and significantly correlated with participation in social capital dimensions at the 1% level. The regression coefficient revealed that households with diversified identity in terms of religion and ethnicity reduce household participation in social capital by 31.4%. This is since individuals having different spectrums and heterogeneity in religion and ethnicity within a community may create dispute, disagreement, social distance, and lack of trust between members of the community. Hence, there is significant social distance among various faith or religion and ethnicity groups in our data. According to Asadullah (2017:520) individuals trust their coreligionists more than they trust those from other ethnicities and religions in India. In addition, he argued that Hindus in districts bordering India trust non-Hindus significantly less, compared to those in interior regions.

Conclusion

As shown in the descriptive findings of this study, various social capital dimensions could have been proved to be significant roles in the economic outcome indicators of the rural household in the study area. In a similar fashion, social capital dimension variables have played an indispensable role in the rural household's social outcome indicators. As a result, dimensions that are expected to enhance positive results and have a value-added effect on rural households' social and economic outcomes among the rural community should be given prior attention by the rural community, member households, local leaders and elders, religious institutions, local associations, and other concerned bodies in the study area. The empirical findings of this study also revealed that a household's homeownership, family size, and gender of the respondent have positive and statistically significant impacts on the household's participation in social capital dimensions in the rural community. So, variables that have been found to have a positive impact should be encouraged and promoted by the members of the community and other local associations for better living and togetherness between rural households. On the other hand, variables such as employment status and ethno-religion of the respondent have been found to be statistically and negatively affect households' participation in social capital dimensions of the rural community. Thus, variables that have been found to be negative influences should be given mediating solutions by local participants, member parties, and social activity actors to improve households' participation in social capital dimensions in the rural community.***

References

- Abebe, T. (2008). The Ethiopian "Family Collective" and Child Agency. *Barn*, 26(3), 89–108. <https://doi.org/10.5324/barn.v26i3.4332>;
- Alemu, M., & Tola, S. (2020). Social Capital and Its Implication for Economic Wellbeing and Sustainable Development: Household Level Analysis to Jimma Zone, South-West Ethiopia. *Journal of Analytical Techniques and Research*, 2(1), 18–26.
- Aritenang, A. (2021). The Role of Social Capital on Rural Enterprises Economic Performance: A Case Study in Indonesia Villages. 10. <https://doi.org/10.1177/21582440211044178>
- Asadullah, M. N. (2017). Who trusts others? Community and individual determinants of social capital in a low-income country. *Cambridge Journal of Economics*, 41(2), 515–544.
- Belay, D. (2020). Determinants of individual social capital in dairy cooperatives in West Shoa, Ethiopia. *Agrekon*, 59(3). <https://doi.org/10.1080/03031853.2020.1743728>
- Bourdieu, P. (1986). The forms of capital. *Handbook of theory and research for the sociology of education*. JG Richardson. New York, Greenwood, 241(258), 19.
- Bowles, S., & Gintis, H. (2000). The evolution of strong reciprocity. *Economics Department Working Paper Series*, 85.
- Coleman, J. S. (1990). Commentary: Social institutions and social theory. *American Sociological Review*, 55(3), 333–339.
- Durlauf, S. N. (2002). On the empirics of social capital. *The Economic Journal*, 112(483), F459–F479.
- Endris, G. S., Kibwika, P., Hassan, J. Y., & Obaa, B. B. (2017). Harnessing social capital for resilience to livelihood shocks: Ethnographic evidence of indigenous mutual support practices among rural households in Eastern Ethiopia. *International Journal of Population Research*, 2017(1), 4513607.
- Ferragina, E. (2013). The socio-economic determinants of social capital and the mediating effect of history: Making Democracy Work revisited. *International Journal of Comparative Sociology*, 54(1), 48–73.
- Gujarati, D. N. (2002). *Basic Econometrics* 4th ed.
- Hassen, R. (2016). Culture-Specific Semiotic Politeness Norms in the Multicultural Society of Ethiopia. *Arts and Social Sciences Journal*, 7(1), 1000168. <https://doi.org/10.4172/2151-6200.1000168>;

- Kassahun, S. (2010). Social Capital as a catalyst for community development: a case for poor localities in Addis Ababa, Ethiopia. *Journal of Sustainable Development in Africa*, 12(6), 122–139. <https://pdfs.semanticscholar.org/3a92/f8bcccc02e287a47310a024cd9033277c627.pdf>
- Katungi, E., Machehe, C. L., & Smale, M. (2007). Determinants of social capital formation in rural Uganda: Implications for group-based agricultural extension approaches. *African Journal of Agricultural and Resource Economics*, 1(2), 167–190.
- Kirori, G. N. (2015). Social capital as a strategy for promoting rural livelihoods: case for Kenya. Progressive Academic Publishing Press: Birmingham, UK.
- Lavoro, N. (2005). On the Determinants of Social Capital in Greece Compared to Countries of the European Union On the Determinants of Social Capital in Greece Compared to Countries of the European Union. 68.
- Mengesha, E. W., Tessema, G. A., Assefa, Y., & Alene, G. D. (2023). Social capital and its role to improve maternal and child health services in Northwest Ethiopia: A qualitative study. *Plos One*, 18(4), e0284592.
- Prastyo, E. (n.d.). Academia Letters The Impact Of Social Capital On The. July 2021, 1–5.
- Prayitno, G., Auliah, A., Ari, I. R. D., Effendi, A., Hayat, A., Delisa, A., Siankwilimba, E., & Hiddlestone-Mumford, J. (2024). Social capital for sustainable tourism development in Indonesia. *Cogent Social Sciences*, 10(1), 2293310.
- Putnam, R. D., & Goss, K. A. (1995). Robert D. Putnam. Bowling Alone: America's Declining Social Capital, *Journal of Democracy*, 6(1), 65–78.
- Stone, W. (2001). Measuring social and community life. 24.
- Tirmizi, S. N. A. (2005). The contribution of levels of social capital to community development. Iowa State University.
- Tadesse, G. W. (2024). Social stratification in Ethiopia from ancient to present: historical perspective. *Cogent Arts & Humanities*, 11(1), 2335752. <https://doi.org/10.1080/23311983.2024.2335752>;
- Warren, M. R., Thompson, J. P., & Saegert, S. (2001). The role of social capital in combating poverty. *Social Capital and Poor Communities*, 3, 1–28.
- Woldehanna, T., Tafere, Y., & Yonis, M. B. (2022). Social capital as a double-edged sword for sustained poverty escapes in Ethiopia. *World Development*, 158, 105969.

- Yamane, T. (1973). *Statistics: An introductory analysis*.
- Yayeh, F. A., & Demissie, W. M. (2024). Social Capital and Poverty Reduction in Ethiopia: Evidence from the Amhara Region. *African Journal of Commercial Studies*, 4(4), 289–302.
- Yayeh, F. A., Ferede, W., & Demissie, W. M. (2024). Debating the Relationship Between Social Capital and Economic Development in Ethiopia. *Forum for Social Economics*, 1–19.
- Zak, P. J., & Knack, S. (2001). Trust and growth. *The Economic Journal*, 111(470), 295–321.