



RESEARCH IN SOCIAL ORGANIZATION AS FACTOR AFFECTING RURAL ECONOMIC GROWTH IN DEVELOPING SOCIETY: THEORETICAL AND METHODOLOGICAL CHALLENGES

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ABSTRACT

The article presents critical analysis of the state of the art in contemporary studies in social organization as factor affecting rural economic growth. We outline two major theoretical and methodological challenges that researchers have to face in order to progress further in understanding of the driving forces and obstacles to sustainable rural economic growth in developing societies. First, there is strong need for elaboration of new theoretical models and empirical tools covering fundamental characteristics of rural social organization (social norms, standards of behavior, motivation, values, etc.) and reflecting its ongoing transition from traditional to modern forms. Second, the existing empirical tools for measuring characteristics of rural communities' social organization (used in studies of developed countries) should be revised in order to make them adequate for the institutional, financial, political, and infrastructural conditions of rural communities in developing societies. We suggest that in every concrete case these measures should be relevant for the peculiarities of the particular rural region.

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1. INTRODUCTION

Rural landscape all over the world has experienced accelerating change over the last decades which led to significant growth of interest in development of rural territories among academic

community and policy makers. The struggle for increasing efficiency of rural economy and improving the quality of life in rural settlements is getting more and more complicated in XXI century with its rapid transformations and concern with environmental, ecological and cultural issues. These global challenges require both revision of existing theoretical models dealing with rural development and elaboration of new practical policies.

Rural territories located in developing countries constitute particularly interesting object of research in this regard. These countries possess vast land resources which become strategically important for the global sustainable development. This is most relevant for countries of Latin America and Eurasia. According to report of Food and Agriculture organization of United Nations, there are only four countries in the world having significant untapped capacity to make a major impact on meeting the growing global food demand. Three of these are Eurasian (Ukraine, Kazakhstan, and Russia) while the fourth is Argentina (Visser and Spoor, 2011).

1.1. Tendencies in Economic Development of Rural Territories in Contemporary Developing Societies

The struggle for rural economic growth in contemporary developing countries is taking place in the very dynamic structural and institutional context.

First, occupying vast majority of fertile land developing countries in Africa (Madagascar, Mozambique, Tanzania and others), Latin America (Argentina, Brasil) and Eurasia (Russia, Ukraine, Kazakhstan) attract growing interest of both domestic and foreign investors from rich Western and Asian countries which have to supply growing demand for food (Visser and Spoor, 2011). This leads to increasing investment in rural territories and establishment of large farm enterprisers which often hire foreign managers and implement new managerial practices and modern technologies thus significantly changing rural environment in developing countries (Visser *et al.*, 2012). On the one hand, this phenomenon may be analyzed from a positive angle with a focus on the growing investment in the agricultural sector. On the other hand, some criticism in literature is directed on the increased powers of global 'food regimes', dominated by multinational companies (McMichael, 2009), and their role in the so called transnational "land grabbing" (Visser and Spoor, 2011).

Second, at the same time in fertile rural territories in developing countries significantly grows activity of small and middle-size private farming and entrepreneurship. As World Bank's report on agricultural development notes: "on-farm investments, reflected by the volume of agricultural capital stock, have increased over time, with the increase concentrated in low- and middle-income countries." (World Bank, 2012). Key role in stimulating small scale agricultural production is played by governments of these countries which provide targeted support for family farms and households. For example, in Mexico governmental programme has led to increased land use, livestock ownership, crop production and agricultural expenditures which resulted in greater likelihood of operating a microenterprise (Todd *et al.*, 2009; Gertler *et al.*, 2012). In Malawi the special social protection programme also increased on-farm investment and production (Covarrubias *et al.*, 2012). In Argentina, one of the world's top four food exporters, in 2010 special programme aimed at boosting family farming was started (Inter-American Development Bank, 2010). In Russia in 2006 the special "National Project" was initiated with three major goals one of

which was to stimulate development of small scale agricultural production. It is particularly interesting that by the end of the 2006 banks receive so many applications for credits that government had to increase financial support in twice (Barsukova, 2013).

These tendencies illustrate complicated character of economic development in contemporary developing countries. Their rural economic growth is based upon processes that may seem to be controversial which causes ambiguous assessments from researchers (McMichael, 2009).

1.2. Considering Social Organization as Factor Affecting Rural Economic Growth in Developing Society

Recent years showed significant growth in volume of literature dealing with the problems of rural economic growth (in both developed (Singh, 2009) and developing societies (Losch *et al.*, 2012). However it is still difficult to predict which practical policies would be more effective in stimulating agricultural development in particular national or regional context (Gardner, 2005).

In our view these discussions lack deep consideration of the ongoing social transformation which takes place in contemporary developing countries. It is important to understand that these societies face the necessity for rapid increasing of economic efficiency while remaining in the process of transition from traditional forms of social organization to modern ones.

This transition is connected with demographical changes (increasing migration to urban settlements, destruction of traditional rural family household), cultural changes (shift in values), economic changes (increasing entrepreneurial activity, changes in the structure of household income), etc. Transition in social organization of rural communities constitute special context in which newly established enterprises and individual entrepreneurs have to operate. In literature “social organization” (Sharp *et al.*, 2002; Zelner *et al.*, 2012) is defined briefly as “networks, norms, and trust that facilitate coordination and cooperation for mutual benefit.” (Putnam, 1995).

In our view this term has to be reconsidered in regards of discussions about rural economic growth in developing societies.

We suggest that the research in factors affecting economic efficiency of rural territories in developing societies has to pay special attention to the problem of social organization’ transformation: what forms does it take in developing society under present conditions of rapid demographical, technological, economical, and other changes? Social organization’s characteristics may affect significantly the productivity of different policies that are discussed in contemporary literature (for example, stimulating small private farming or giving preference to large enterprises based on foreign direct investment).

The general aim of this paper is outlining some theoretical and methodological challenges in research in social organization as factor influencing rural economic growth in developing society in the context of rapid changes of XXI century. Our approach is rooted in modernization theory (Inglehart and Baker, 2000). We analyze rural social organization basing on theoretical distinction between “traditional” (for example, subsistence farming) and “modern” (for example, entrepreneurship and industrial employment based on freedom of occupational choice) forms of economic activities and social organization. We hope that this work would contribute to contemporary academic discourse. Unfortunately, contemporary studies of factors influencing rural economic development do not concentrate on rural community’s social organization’ analysis

basing on distinction between “traditional” and “modern” social forms and do not focus on the specifics of developing societies in this regard.

From practical point of view, theoretical research aimed at deep analysis of relations between social organization and economic efficiency in rural territories may promote further applied empirical works and, as a consequence, elaboration and implementation of effective practical policies.

1.3. Contemporary Approaches for Research in Rural Economic Development

International literature outlines two major approaches for rural economic development. On the one hand, there is “industrial recruitment” approach (stemming from “modernization paradigm” (Van der Ploeg *et al.*, 2000). This approach suggests attraction of firms from outside the community to locate to the area (Sharp *et al.*, 2002). This may be done by means of provision of tax abatements, low-interest loans, and easy access to cheap land for infrastructure development. The attractiveness of industrial recruitment is rooted in its ability to create a large number of jobs within a relatively short period of time.

On the other hand, there is “self-development” approach (Flora *et al.*, 1992; Green *et al.*, 1993) concentrating on stimulating local entrepreneurial creativity and often relying on local resources (Flora *et al.*, 1991) to create new jobs and economic activity. In contrast to industrial recruitment, self-development activities are aimed at fostering local businesses and other entrepreneurial activities along with relying on local resources to aid in development from within the community (Flora *et al.*, 1992). Examples of self-development activities include promoting local tourism, retaining or expanding locally owned businesses.

Before the beginning of 1990-s industrial recruitment strategy was considered to be preferable direction for rural development and totally dominated in both practical policies and academic discussions (Van der Ploeg *et al.*, 2000). However since the late 1990-s scientists and practitioners from developed countries (most of all, in Europe) promote critical discussions about industrial recruitment strategy and modernization paradigm of development as a whole. For multiple reasons, many communities have turned to self-development strategies. As J. Crowe puts it, some communities do not have the financial resources to expend on recruiting outside industry to their communities (Crowe, 2006). Also rural communities may be limited in attracting outside employers due to their physical remoteness (Sharp *et al.*, 2002). However J. Crowe acknowledges that while self-development has some advantages over industrial recruitment, such as new jobs requiring higher skills and stronger job security, a higher number of jobs tend to be created from successful industrial recruitment endeavors than from self-development (Crowe, 2006).

Although the difference between two approaches is strong both are aimed on improving economic efficiency. However self-development approach embodies the attempt to build economic growth with stronger emphasize on local social resources while for industrial recruitment approach natural resources of the rural territory are considered to be more important (Crowe, 2006).

The role of social factors in stimulating rural economic growth in developed countries is being actively discussed in literature for a long time (Ramsay, 1996). Major part of these discussions takes place in the frame of comparison between industrial recruitment and self-development approach. Unfortunately these discussions do not pay significant attention to the problems of rural

economic growth in developing societies. In the next section we will critically review contemporary literature dealing with social organization as factor influencing economic growth in the frame of comparison between two mentioned above approaches. Basing on this analysis we will further outline key theoretical and methodological challenges for research in social organization as factor of rural economic growth in developing society.

1.4. Social Organization as Factor Affecting Rural Economic Growth: State of The Art and Perspectives for Research in Developing Societies

The terminology of research in social factors influencing rural economic growth is still shaping. However we may outline several notions that are used most frequently in literature. "Social organization" is usually described as "networks, norms, and trust" (Putnam, 1995). This term is often linked to the notions "social capital" and "social infrastructure" (Sharp *et al.*, 2002). "Social capital" in these studies is generally understood as "norms of reciprocity and networks of civic engagement" (Putnam, 1993) while concept of "social infrastructure" (elaborated by C.B. Flora, J. L. Flora and others (Flora and Flora, 1993) is defined as "group-level interactive aspects of community organizations and institutions" (Sharp *et al.*, 2002). Three dimensions of social infrastructure are identified: diversity of symbols, resource mobilization, and quality of linkages (Flora and Flora, 1993).

Researchers use numerous indicators for empirical research in various aspects of social organization such as "(1) presence of a newspaper that reports community affairs openly and with attention to differing citizens' views (diversity of symbols), (2) willingness of local banks to contribute to local projects (resource mobilization), and (3) existence of horizontal and vertical linkages to other communities and regional and state governments (quality of linkages)" (Sharp *et al.*, 2002). All these indicators showed positive association with the execution of economic development projects in a national study of rural communities conducted by C.B. Flora and others (Flora *et al.*, 1997). More evidences of positive relation between social infrastructure and economic development come from research of J. Sharp and others (Sharp *et al.*, 2002) and J. Crowe (Crowe, 2006).

These examples of indicators convincingly demonstrate that such research tools may be used almost exclusively in the studies of developed societies with strong financial institutions (existence of local banks contributing to local projects), independent mass-media (existence of local newspaper reporting openly), and powerful civil society with democratic institutions (existence of horizontal and vertical linkages to other communities and regional and state governments). Therefore in the present form these tools cannot be adopted to study of rural communities in developing societies.

Nevertheless, in our opinion, the idea of studying social organization's characteristics as factors influencing economic growth in developing society is not only reasonable but very fruitful considering great variety of social forms existing in these societies. However, dealing with developing society not only financial and media resources of social cooperation should be studied but also the very basic foundations of the rural social organization: norms of behavior, values, motivation, historically shaped traditions, etc.

It is important to understand that rural communities in developed societies have generally finished transition from traditional to modern forms of social life.

According to modernization theory (Inglehart and Baker, 2000) features of this transition include shift towards greater individual's freedom and rise of achievement motivation which leads to higher entrepreneurial activity and industrial employment. Achievement motivation has special importance in this regard. Its role for rural economic growth was in the center of interest for David C. McClelland, David G.

Winter, Claud R. Sutcliffe in the 1960-s and 1970-s (McClelland *et al.*, 1969; Sutcliffe, 1974). In their works "achievement motivation" is defined as "concern over competition with a standard of excellence" (Sutcliffe, 1974). These authors argued that "achievement motivation is in part responsible for economic growth" (McClelland, 1961).

In our view this hypothesis is still relevant for research in developing societies of XXI century. However literature review does not show evidence of active implementation of this approach in both contemporary empirical research and theoretical elaborations. It is particularly noteworthy that motivational aspects are almost completely outside of interest in contemporary studies of "industrial recruitment" and "self-development" in rural communities.

We assume that motivational characteristics (along with norms of behavior, attitudes and values) reflect the level of social organizations' "maturity" from the point of theoretical distinction between "traditional" and "modern" types of social organization.

However depending on demographical, historical, cultural, technological and other aspects different rural communities may have significantly different trajectories of social organization's transformation in the XXI century. Taking into consideration the accelerating changes in all areas of rural life, the speed, forms and even direction of social organization's transformation may differentiate greatly in contemporary rural communities.

Basing on critical review of literature we suggest expand existing approach (Putnam, 1995) and define social organization of rural community more broadly as the basic norms of behavior, social structures, values and attitudes influencing economic activity of population.

In our view accordance between particular forms of economic policies (for example, stimulating industrial recruitment or small private entrepreneurship) and historically determined social organization of rural territory – is important factor for sustainable rural economic development. For developing societies the role of social organization is especially important due to high heterogeneity of possible social forms and cultural standards.

These fundamental characteristics of rural community's social organization may not only limit the possibilities of economic growth but may also appear to be relative advantage in competition. For example, as Q. Munters reports (Munters, 1972), when one of the founders of contemporary sociology Max Weber in the late XIX century compared Argentinian and German competitive positions in agriculture he came to the conclusion that Argentina has relative advantage due to primitive social organization of its rural society.

The main explanation was that agricultural workers in Argentina were not in fixed employment but hire their services for seasonal labor. As E. Tellegen comments, "to compete successfully with such a system German rural society would have to regress rather than to

advance in social structure and cultural level” (Tellegen, 1968). As we can see, the complex influence of rural social organization’s maturity on economic effectiveness is brightly illustrated.

Therefore studies in social organization of rural community in developing countries have to pay special attention to analysis of fundamental basics of community’s social existence: motivation, norms of behavior, values, and social structures.

Of course institutional surrounding of rural community (financial institutions, political institutions, etc.) need to be studied in regards of developing countries no less than in regards of developed societies.

However new methodological tools should be elaborated for empirical research. These tools must reflect the conditions of the particular rural region. In place of indicators used in studies in developed societies there should be elaborated new tools for empirical research in developing countries.

2. CONCLUSION

In this paper we conducted critical analysis of the state of the art in contemporary research in social organization as factor affecting rural community’s economic development. Literature review showed that major part of research deals with two main approaches to rural development: industrial recruitment and self-development.

These approaches reflect two alternative strategies. Industrial recruitment is aimed at bringing enterprises (first of all, large companies) from outside to locate in community and to create new jobs. Self-development approach suggests stimulating entrepreneurial activity from within the community basing on its local resources.

Even though social factors are taken into consideration by researches, their focus is concentrated not on the underlying mechanisms of social interaction within the community (motivation, norms of behavior, values, attitudes, etc.) but mostly on the institutional surrounding of the community, for example, banks, civil society organizations, and mass-media.

In our view this limited focus is explained by the object of these studies: rural communities in developed countries. Actually the whole “industrial recruitment VS self-development” discourse is based on studies of developed countries. However we assume that it can be expanded to include developing societies as well.

From practical point of view this is reasonable since the huge potential for agricultural development is located in developing countries (most of all, in Latin America and Eurasia). It is very important to understand social mechanisms of economic activities in these societies in the face of contemporary global “food challenge”.

From theoretical point of view this brings new methodological concerns and challenges because rural communities in developing societies may have completely different social organization (social norms, standards of behavior, motivation, etc.). What is no less important, their social organization is still in the process of transformation towards the modern social forms.

In our view social organization’s characteristics may significantly influence the effectiveness of practical policies. Therefore before introducing practical initiatives aimed at improving rural economic growth in developing society one must seriously consider the factor of “social organization” and its level of maturity.

As our literature review showed, international research experience gives strong evidences supporting this view. David McClelland argued that motivational aspects influence economic growth. C.R. Sutcliffe found empirical evidence for this hypothesis regarding rural communities of Middle East (Sutcliffe, 1974).

However motivational and other fundamental characteristics of social organization are not fully taken into account in the contemporary discourse on the strategies of rural development.

Basing on critical review of literature we outline two major theoretical and methodological challenges that researchers have to face in order to progress further in understanding of the driving forces and obstacles to rural economic growth in developing societies.

- 1) There is strong need for elaboration of new theoretical models and empirical tools covering fundamental characteristics of rural social organization (social norms, standards of behavior, motivation, values, etc.) and reflecting its ongoing transition from traditional to modern forms. These models and empirical tools should also link fundamental characteristics of rural social organization with aspects of social infrastructure and social capital that are studied in contemporary research main-stream.
- 2) The existing empirical tools for measuring characteristics of rural communities' social organization (used in studies of developed countries) should be revised in order to make them adequate for the institutional, financial, political, and infrastructural conditions of rural communities in developing societies. We suggest that in every concrete case these measures should be relevant for the peculiarities of the particular rural region.

We hope that these considerations would stimulate both theoretical and empirical research in the area of studying social factors influencing rural economic growth in developing societies.

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