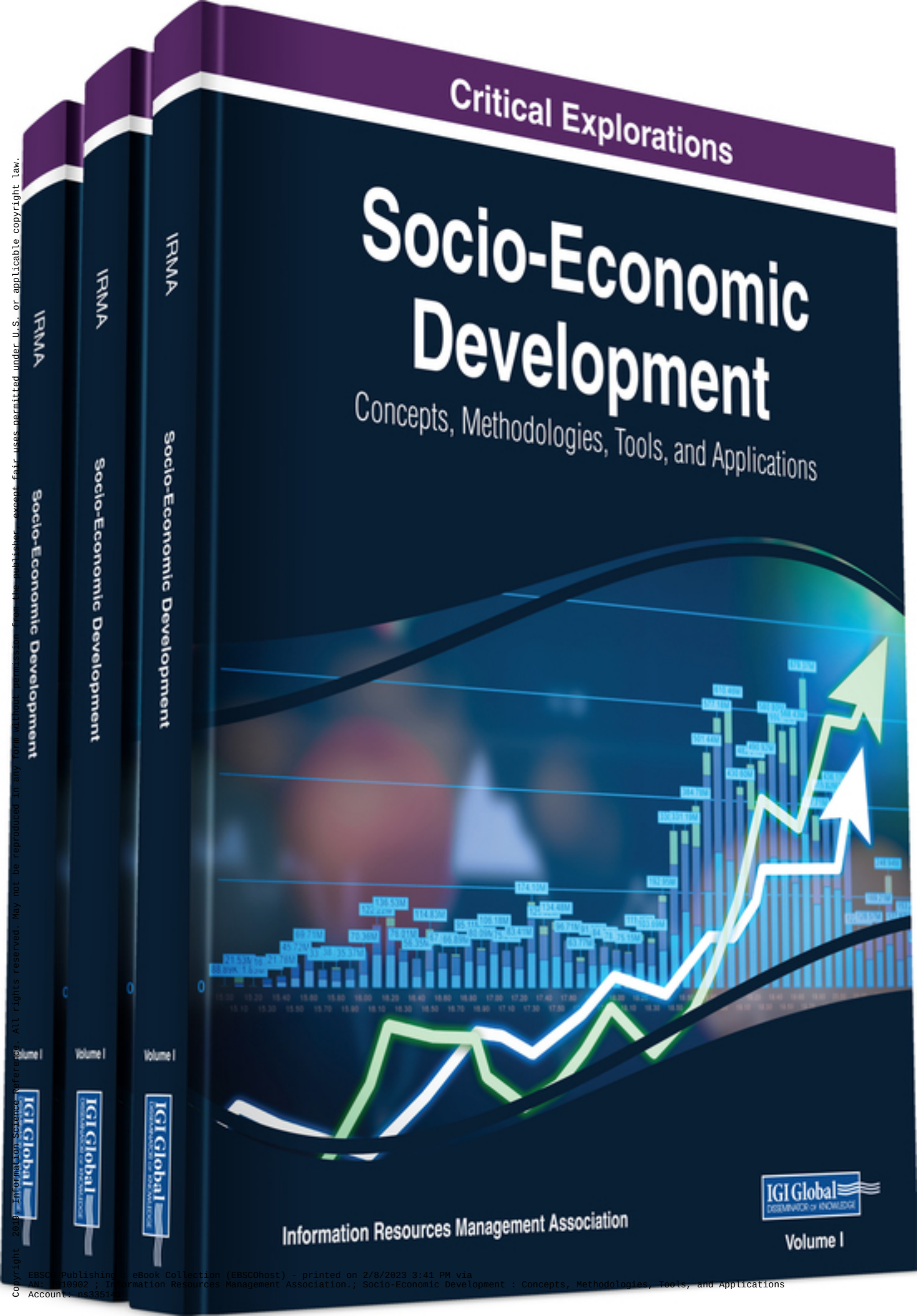


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Adugu, Emmanuel / *University of West Indies, Barbados* 362,1656
Ahmad, Noor Hazlina / *Universiti Sains Malaysia, Malaysia* 480
Aigbokhan, Ben E. / *Samuel Adegboyega University, Nigeria* 1159
Al-Banna, Mohammed Abdul Karim / *Heriot Watt University, UK* 500
Albu, Madalina / *Petroleum-Gas University of Ploiesti, Romania* 612
Alehegn, Tseday / *Columbia University, USA* 623
Amone, William / *Mbarara University of Science and Technology, Uganda* 1,1528
Andreeva, Ekaterina / *Rostov State Transport University, Russia* 277
Arkhipov, Alexey / *South Federal University, Russia* 1022
Asongu, Simplice A. / *African Governance and Development Institute, Cameroon* 1334
Babatola, Olatunji / *University of Lagos, Nigeria* 1060
Bahati, D. M. / *Local Government Training Institute, Tanzania* 1678
Belda-Miquel, Sergio / *Universitat Politècnica de València, Spain* 687
Bellantuono, Nicola / *Politecnico di Bari, Italy* 130
Benneworth, Paul / *University of Twente, The Netherlands* 379
Bhadra, Kinkini / *Jadavpur University, India* 1179
Boachie, Christopher / *Central University College, Ghana* 575
Bölükbaş, Sema / *Yıldırım Beyazıt University, Turkey* 554
Boni, Alejandra / *Universitat Politècnica de València, Spain* 687
Briziarelli, Marco / *University of New Mexico, USA* 817
Cahayani, Ati / *Atma Jaya Catholic University, Indonesia* 991
Castro, Omar Alonso Patiño / *Universidad Ean, Colombia* 340
Cavlak, Hakan / *Namık Kemal University, Turkey* 23
Cavlak, Neslihan / *Namık Kemal University, Turkey* 23
Cesur-Kiliçaslan, Seher / *İstanbul Arel University, Turkey* 41
Chandan, Harish C. / *Argosy University, USA* 663
Chen, Qin / *Business Big Data (BBD), China* 793
Chich-Jen, Shieh / *Chang Jung Christian University, Taiwan* 1632
Chiloane-Tsoka, Evelyn / *University of South Africa, South Africa* 1227
Colvin-Díez, Jorge / *Schiller International University, Spain* 921
Cuñado, Jorge Hernando / *Nebrija University, Spain* 921
Cunha, Jorge / *University of Minho, Portugal* 379
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Elena, Kozlova / *Rostov State Transport University, Russia* 1587
Elias, Peter / *University of Lagos, Nigeria* 1060
Erum, Naveeda / *University of Balochistan, Pakistan* 1279
Ettorre, Donatella / *Politecnico di Bari, Italy* 130
Fernandes, Vera / *University of Aveiro, Portugal* 400
Fields, Ziska / *University of KwaZulu-Natal, South Africa* 975
Garba, Shaibu Bala / *Qatar University, Qatar* 1508
Goel, Sandeep / *Management Development Institute, India* 328
Grebe, Amy M. / *ACPPA Community Art Center, USA* 703
Greene, H. Carol / *East Carolina University, USA* 232
Groff, Linda / *California State University – Dominguez Hills, USA* 882
Günaydin, Davuthan / *Namık Kemal University, Turkey* 23
Hassan, Kalthum / *Universiti Utara Malaysia, Malaysia* 155
Hegazy, Nermeen Atef Ahmed / *Cairo University, Egypt* 802
Henama, Unathi Sonwabile / *Tshwane University of Technology, South Africa* 1489
Hipsher, Scott / *Webster University, Thailand* 904
Hlaing, Thida Chaw / *University of New England, Australia* 748
Howarth, Anita / *Brunel University London, UK* 538
Hussain, Abu baker Ramadan Mohamed / *Taibah University, Saudi Arabia* 1560
Işik, Toprak / *Independent Scholar, Turkey* 41
Ivolga, Anna / *Stavropol State Agrarian University, Russia* 1041
Iwasaki, Yoshitaka / *University of Alberta, Canada* 90,729
Jain, Payal / *University of Northampton, UK* 515
Jana, Sebak Kumar / *Vidyasagar University, India* 1428
Jmaii, Amal / *Institut Supérieur de Gestion, Tunisia* 303
Joseph, Edwin / *Indiana University – South Bend, USA* 1102
Juliani, Douglas Paulesky / *Instituto Federal de Santa Catarina, Brazil* 379
Kamuganga, Dick Nuwamanya / *Uganda Technology and Management University (UTAMU), Uganda* 1528
Karmakar, Asim Kumar / *Jadavpur University, India* 1428
Kaushal, Leena Ajit / *Management Development Institute (MDI) Gurgaon, India* 460
Keating, Paul / *Limerick Institute of Technology Tipperary, Ireland* 866
Khalik, Mahmoud / *University of St. Andrews, UK* 67
Kisusu, G. R. / *Rural Solutions and Consultancy, Tanzania* 1678
Kisusu, R. W. / *Tarime Institute of Business Management, Tanzania* 1678
Laha, Arindam / *The University of Burdwan, India* 1317
Le, Ngoc / *Northumbria University, UK* 422
Leivas, Monique / *Universitat Politècnica de València, Spain* 687
Lekoko, Rebecca Nthogo / *University of Botswana, Botswana* 1009
Li, Xiaoqing / *Brunel University London, UK* 422
Li, Zheng / *Xi'an Eurasia University, China* 793
Lobera, Jaime A. / *Coleman University, USA* 171
Mabiza, Junior Mabiza-ma / *University of Johannesburg, South Africa* 1227
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Manner, Jane C / *East Carolina University, USA* 232
Manzoor, Amir / *Bahria University, Pakistan* 1249
Martinez, Jacob / *Digital NEST, USA* 592
Mentor, Dominic / *Columbia University, USA* 623
Michael, Ian / *Zayed University, UAE* 500
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Moreira, António Carrizo / *University of Aveiro, Portugal* 400
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Muralidharan, Etayankara / *MacEwan University, Canada* 106
Nedelko, Zlatko / *University of Maribor, Slovenia* 1442
Nisha, Nabila / *North South University, Bangladesh* 773
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Okigbo, Charles Chiedu / *North Dakota State University, USA* 55
Ola, Kehinde O. / *Samuel Adegboyega University, Nigeria* 1159
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Oprea, Mihaela Ciopi / *Petroleum-Gas University of Ploiesti, Romania* 612
Özmete, Emine / *Ankara University, Turkey* 256
Panait, Mirela Clementina / *Petroleum-Gas University of Ploiesti, Romania* 612
Pathak, Saurav / *Kansas State University, USA* 106
Patra, Sudhakar / *Ravenshaw University, India* 313
Paviera, Milo / *University of Edinburgh, UK* 67
Pontrandolfo, Pierpaolo / *Politecnico di Bari, Italy* 130
Potocan, Vojko / *University of Maribor, Slovenia* 1442
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Privitera, Donatella / *University of Catania, Italy* 1084
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Rajack-Talley, Theresa Ann / *University of Louisville, USA* 1408
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Stanković, Jelena / *University of Niš, Serbia* 1466
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Thomas, Ekaterina / *Staffordshire University, UK* 1542
Thomas, P.E. / *Bharathiar University, India* 196
Tshishonga, Ndwakhulu / *University of KwaZulu-Natal, South Africa* 1139
Ushakov, Denis / *International College Suan Sunandha Rajabhat University, Thailand & Russian Academy of National Economy and Public Administration–South Branch, Russia* 1022,1632
Vargas-Hernández, José G. / *University of Guadalajara, Mexico* 956
Wang, Yan / *Xi'an Eurasia University, China* 793
Winklehake, Brett / *San Diego Mesa College, USA* 171
Youssry, Ahmed / *Coleman University, USA* 171
Yukhanaev, Andrey / *Northumbria University, UK* 422
Zakuan, Ummu Atiyah Ahmad / *Universiti Utara Malaysia, Malaysia* 155

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Table of Contents

Preface xix

Volume I

Section 1
Fundamental Concepts and Theories

Chapter 1
Global Market Trends 1
William Amone, Mbarara University of Science and Technology, Uganda

Chapter 2
Social Exclusion and Poverty: EU 2020 Objectives and Turkey 23
Davuthan Günaydin, Namık Kemal University, Turkey
Hakan Cavlak, Namık Kemal University, Turkey
Neslihan Cavlak, Namık Kemal University, Turkey

Chapter 3
A General View of Poverty in Turkey as an Issue for Social Work in the Light of Behavioral Finance and Game Theory 41
Seher Cesur-Kiliçaslan, İstanbul Arel University, Turkey
Toprak Işik, Independent Scholar, Turkey

Chapter 4
Recursive Inter-Ethnic Violence and the Failure of Development Communication in Africa 55
Charles Chiedu Okigbo, North Dakota State University, USA

Chapter 5
Theoretical Aspects on Bottom of the Pyramid in Emerging Economies: An Overview of Microfinance in Latin America 67
Milo Paviera, University of Edinburgh, UK
Mahmoud Khalik, University of St. Andrews, UK

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Chapter 6
Youth Engagement in the Era of New Media 90
Yoshitaka Iwasaki, University of Alberta, Canada

Chapter 7
National Ethical Institutions and Social Entrepreneurship 106
Etayankara Muralidharan, MacEwan University, Canada
Saurav Pathak, Kansas State University, USA

Chapter 8
Towards a New Definition of Social Innovation 130
Donatella Ettorre, Politecnico di Bari, Italy
Nicola Bellantuono, Politecnico di Bari, Italy
Barbara Scozzi, Politecnico di Bari, Italy
Pierpaolo Pontrandolfo, Politecnico di Bari, Italy

Chapter 9
Women's Economic Empowerment in the Developing Countries: Reengineering Patriarchy? 155
Ummu Atiyah Ahmad Zakuan, Universiti Utara Malaysia, Malaysia
Kalthum Hassan, Universiti Utara Malaysia, Malaysia

Chapter 10
A Study of Two Microfinance Models and Their Suitability for Egypt 171
Ahmed Youssry, Coleman University, USA
Brett Winklehake, San Diego Mesa College, USA
Jaime A. Lobera, Coleman University, USA

Chapter 11
The Making of the Information Society: Taxonomy of Concepts, Determinants, and Implications..... 196
P.E. Thomas, Bharathiar University, India

Section 2
Development and Design Methodologies

Chapter 12
Picking the People up From Poverty: Urban Labour Market Deregulation vs. Encouraging the Development of Micro-Enterprises..... 222
Abu Saleh Mohammad Sowad, University of Dhaka, Bangladesh

Chapter 13
A National Crisis and a Call to Action: Preparing Teachers to Teach Children From Poverty..... 232
H. Carol Greene, East Carolina University, USA
Jane C Manner, East Carolina University, USA

EBSCOhost - printed on 2/8/2023 3:41 PM via . All use subject to https://www.ebsco.com/terms-of-use

Chapter 14
Measuring the Poverty of Elderly People With Needs Analysis in Turkey 256
Emine Özmete, Ankara University, Turkey

Chapter 15
National Migration Policy as a Principle for Economic System Structuring in the Modern States: The Case of Russia..... 277
Ekaterina Andreeva, Rostov State Transport University, Russia

Chapter 16
An Endogenous Switching Model to Poverty Dynamic Assessment in Tunisia: A New Proposal 303
Amal Jmaii, Institut Supérieur de Gestion, Tunisia

Chapter 17
FDI, Urbanization, and Economic Growth Linkages in India and China..... 313
Sudhakar Patra, Ravenshaw University, India

Chapter 18
Corporate Governance: The Catalyst for Economic Growth and Social Change 328
Sandeep Goel, Management Development Institute, India

Chapter 19
Key Aspects to Develop Long-Term Microfinance and Financial Inclusion for Social Development 340
Omar Alonso Patiño Castro, Universidad Ean, Colombia

Chapter 20
Political Consumption as Supplement to Conventional Political Participation in Promoting Social Change 362
Emmanuel Adugu, University of West Indies, Barbados

Chapter 21
Universities' Contributions to Sustainable Development's Social Challenge: A Case Study of a Social Innovation Practice 379
Douglas Paulesky Juliani, Instituto Federal de Santa Catarina, Brazil
Ania Silva, Instituto Federal de Santa Catarina, Brazil
Jorge Cunha, University of Minho, Portugal
Paul Benneworth, University of Twente, The Netherlands

Chapter 22
A Qualitative Analysis of Social Entrepreneurship Involving Social Innovation and Intervention ... 400
Vera Fernandes, University of Aveiro, Portugal
António Carrizo Moreira, University of Aveiro, Portugal
Ana Isabel Daniel, University of Aveiro, Portugal

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Chapter 23
Locational Determinants of Foreign Direct Investment in the Vietnamese Economy 422
Ngoc Le, Northumbria University, UK
Xiaoqing Li, Brunel University London, UK
Andrey Yukhanaev, Northumbria University, UK

Chapter 24
Multinational Corporations: A Boon or Bane for a Developing Economy – A Study in Indian Context 460
Leena Ajit Kaushal, Management Development Institute (MDI) Gurgaon, India

Chapter 25
On the Road to SME Sector Development in Bangladesh: A Guideline Based on Current Challenges and Opportunities 480
Syed Abidur Rahman, Universiti Utara Malaysia, Malaysia
Noor Hazlina Ahmad, Universiti Sains Malaysia, Malaysia
Seyedeh Khadijeh Taghizadeh, Universiti Tecknolgi PETRONAS, Malaysia

Chapter 26
Zakat and Its Socio-Economic Merits: A Holistic View towards Eradication of Poverty 500
Mohammed Abdul Karim Al-Banna, Heriot Watt University, UK
Ian Michael, Zayed University, UAE

Chapter 27
A Crowd-Funder Value (CFV) Framework for Crowd-Investment: A Roadmap for Entrepreneurial Success in the Contemporary Society 515
Payal Jain, University of Northampton, UK

Section 3
Tools and Technologies

Chapter 28
Hunger Hurts: The Politicization of an Austerity Food Blog 538
Anita Howarth, Brunel University London, UK

Volume II

Chapter 29
Lorenz Curve, Gini Coefficient, and the Income Inequality in Turkey in the Last 13 Years 554
Sema Bölükbaş, Yıldırım Beyazıt University, Turkey

Chapter 30
The Effect of Microfinance on Poverty Reduction in Developing Economies 575
Christopher Boachie, Central University College, Ghana

EBSCOhost - printed on 2/8/2023 3:41 PM via . All use subject to https://www.ebsco.com/terms-of-use

Chapter 31
Children and Youth Making Digital Media for the Social Good 592
Jill Denner, Education, Training, Research, USA
Jacob Martinez, Digital NEST, USA

Chapter 32
Is the EU Moving Towards Sustainable Development? Changes in the Social Exclusion Area in Some European Countries 612
Irina Gabriela Radulescu, Petroleum-Gas University of Ploiesti, Romania
Mirela Clementina Panait, Petroleum-Gas University of Ploiesti, Romania
Madalina Albu, Petroleum-Gas University of Ploiesti, Romania
Mihaela Ciopi Oprea, Petroleum-Gas University of Ploiesti, Romania

Chapter 33
Mobile Learning for Social Change: Democratizing Education and Civic Engagement 623
Tseday Alehegn, Columbia University, USA
Dominic Mentor, Columbia University, USA

Chapter 34
Deploying ICT to Enhance Small Businesses and Achieving Sustainable Development: A Paradigm to Reducing Poverty and Unemployment and Enhancing a Sustainable National Development in Nigeria 638
Ojinga Gideon Omiunu, University of Ibadan, Nigeria

Chapter 35
Corruption, Business Climate, and Economic Growth 663
Harish C. Chandan, Argosy University, USA

Chapter 36
Grassroots Innovation for Human Development: Exploring the Potential of Participatory Video 687
Alejandra Boni, Universitat Politècnica de València, Spain
Monique Leivas, Universitat Politècnica de València, Spain
Teresa De La Fuente, Universitat Politècnica de València, Spain
Sergio Belda-Miquel, Universitat Politècnica de València, Spain

Chapter 37
The Arts, Civic Engagement, and Urban Youth 703
Amy M. Grebe, ACPPA Community Art Center, USA

Chapter 38
Meaningful Youth Engagement Through Media Usage 729
Yoshitaka Iwasaki, University of Alberta, Canada

Chapter 39
Opportunities and Challenges of Visualization and Open Data in Food Security Analysis 748
Thida Chaw Hlaing, University of New England, Australia
Julian Prior, University of New England, Australia

EBSCOhost - printed on 2/8/2023 3:41 PM via . All use subject to https://www.ebsco.com/terms-of-use

Chapter 40
Reducing Poverty and Sustaining Growth: A Microfinance Approach 773
Nabila Nisha, North South University, Bangladesh
Afrin Rifat, North South University, Bangladesh

Chapter 41
Real-Time Monitoring of Intercity Passenger Flows Based on Big Data: A Decision Support Tool for Urban Sustainability 793
Zheng Li, Xi'an Eurasia University, China
Yan Wang, Xi'an Eurasia University, China
Qin Chen, Business Big Data (BBD), China

Chapter 42
Tourism Marketing in Developing Countries 802
Nermeen Atef Ahmed Hegazy, Cairo University, Egypt

Chapter 43
Utopia, Labor, and Informational Capitalism: Lights and Shadows of Social Media 817
Marco Briziarelli, University of New Mexico, USA

Section 4
Utilization and Applications

Chapter 44
The Inter-Linkage Between Governance and Poverty: Evidences from SAARC Countries 838
Maniklal Adhikary, The University of Burdwan, India
Dyuti Sinha, The Bhawanipur Education Society College, India

Chapter 45
Games for Social Change: Review of the Potential for Multi Player Online Gaming to Facilitate the Emergence and Growth of Progressive Movements for Social Change Within Youth and Community Work 866
Paul Keating, Limerick Institute of Technology Tipperary, Ireland

Chapter 46
Holistic, Evolving Aspects of Nonviolence for Bringing About Needed Social-Political Change and Important Practitioners of Nonviolence 882
Linda Groff, California State University – Dominguez Hills, USA

Chapter 47
Poverty Reduction, Wealth Creation, and Tourism in Ethnic Minority Communities in Mainland Southeast Asia 904
Scott Hipsher, Webster University, Thailand

EBSCOhost - printed on 2/8/2023 3:41 PM via . All use subject to https://www.ebsco.com/terms-of-use

Chapter 48
Digital Entrepreneurial Charity, Solidarity, and Social Change 921
José Manuel Saiz-Alvarez, Tecnologico de Monterrey, Mexico
Jorge Colvin-Díez, Schiller International University, Spain
Jorge Hernando Cuñado, Nebrija University, Spain

Chapter 49
The Social Economy and Role of Government in South Africa 943
O. E. Okeke-Uzodike, University of KwaZulu-Natal, South Africa
Mogie Subban, University of KwaZulu-Natal, South Africa

Chapter 50
Shrinkage of Rural Areas as a Result of Urbanization and Migration Processes in Mexico 956
José G. Vargas-Hernández, University of Guadalajara, Mexico

Chapter 51
Using Creativity and Social Innovation to Create Social Value and Change 975
Ziska Fields, University of KwaZulu-Natal, South Africa

Chapter 52
The Role of Entrepreneurial Spirit in Indonesian Youths and Housewives to Reduce Unemployment and Poverty Rate 991
Ati Cahayani, Atma Jaya Catholic University, Indonesia

Chapter 53
The Crossroads That Were Never Meant to Be: An Account of Promises and Challenges in an Orphan's Empowerment Journey 1009
Oitshepile MmaB Modise, University of Botswana, Botswana
Rebecca Nthogo Lekoko, University of Botswana, Botswana

Chapter 54
Functional Effectiveness and Modern Mechanisms for National Urban Systems Globalization: The Case of Russia 1022
Alexey Arkhipov, South Federal University, Russia
Denis Ushakov, International College Suan Sunandha Rajabhat University, Thailand & Russian Academy of National Economy and Public Administration–South Branch, Russia

Chapter 55
Sustainable Rural Development in the Conditions of Trade Integration: From Challenges to Opportunities 1041
Anna Ivolga, Stavropol State Agrarian University, Russia

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Chapter 56
Effective Urban Infrastructure Governance in Africa: Resolving the Wealth-Poverty Paradox 1060
Peter Elias, University of Lagos, Nigeria
Olatunji Babatola, University of Lagos, Nigeria
Ademola Omojola, University of Lagos, Nigeria

Chapter 57
Poverty as a Tourism Attraction: Travelling on the Web 1084
Donatella Privitera, University of Catania, Italy

Chapter 58
Integrating Spatial Technologies in Urban Environments for Food Security: A Vision for Economic, Environmental, and Social Responsibility in South Bend, Indiana 1102
Edwin Joseph, Indiana University – South Bend, USA
Elizabeth O'Dea, Indiana University – South Bend, USA

Volume III

Chapter 59
Operation Sukuma-Sakhe: A New Social Contract for Decentralized Service Delivery and Responsive Governance in KwaZulu-Natal 1139
Ndwakhulu Tshishonga, University of KwaZulu-Natal, South Africa

Chapter 60
Foreign Land Acquisitions: Household Livelihood With Some Evidence on Nigeria 1159
Ben E. Aigbokhan, Samuel Adegboyega University, Nigeria
Kehinde O. Ola, Samuel Adegboyega University, Nigeria

Chapter 61
ICT: A Magic Wand for Social Change in Rural India 1179
Orance Mahaldar, Ghent University, Belgium
Kinkini Bhadra, Jadavpur University, India

Chapter 62
Foreign Direct Investment in Land Acquisitions in India: Evidence and Challenges 1205
Falendra Kumar Sudan, University of Jammu, India & University of South Australia, Australia

Chapter 63
Urban Economy and Sources of Its Efficiency as Factors Addressing the Challenges Faced by Urban Economy: The Case Study of Southern African Region 1227
Evelyn Chiloane-Tsoka, University of South Africa, South Africa
Junior Mabiza-ma Mabiza, University of Johannesburg, South Africa

EBSCOhost - printed on 2/8/2023 3:41 PM via . All use subject to https://www.ebsco.com/terms-of-use

Section 5
Organizational and Social Implications

Chapter 64
Social Media for Promoting Grassroots Political Movements and Social Change 1249
Amir Manzoor, Bahria University, Pakistan

Chapter 65
Current Trends of Education and Social Change in Balochistan: A Sociological Analysis 1279
Naveeda Erum, University of Balochistan, Pakistan
Naima Saeed, University of Karachi, Pakistan
Tansif Ur Rehman, University of Karachi, Pakistan

Chapter 66
Women in Development Mobilize Grassroots Enterprises to Reduce Household Poverty 1292
Ladislaus M. Semali, Pennsylvania State University, USA

Chapter 67
Impact of Microfinance on Poverty in the Context of Global Financial Crisis: A Cross Country Analysis in South Asia 1317
Arindam Laha, The University of Burdwan, India

Chapter 68
Rational Asymmetric Development: Transfer Mispricing and Sub-Saharan Africa's Extreme Poverty Tragedy 1334
Simplice A. Asongu, African Governance and Development Institute, Cameroon

Chapter 69
Population Growth and Urbanization in Africa: Implications for the Environment 1355
Samuel Adams, Ghana Institute of Management and Public Administration, Ghana
Eric Evans Osei Opoku, City University of Hong Kong, Hong Kong

Chapter 70
Women Entrepreneurs Address Poverty and Social Change Through Empowering Grassroots Initiatives in Tanzania 1371
Ladislaus M. Semali, Pennsylvania State University, USA

Chapter 71
Reflections From Inside the World of Empowered Women: The Case of Thota-ea-Moli, Ha Luka Multi-Purpose Cooperative, in Lesotho 1389
Bantu Lulu K Morolong, University of Botswana, Botswana

Chapter 72
Agriculture, Trade Liberalization and Poverty in the ACP Countries 1408
Theresa Ann Rajack-Talley, University of Louisville, USA

EBSCOhost - printed on 2/8/2023 3:41 PM via . All use subject to https://www.ebsco.com/terms-of-use

Chapter 73
The Social Impact of the Financial Crises in the Recent Past and Evidence Thereof: With Special Reference to India 1428
Asim Kumar Karmakar, Jadavpur University, India
Sebak Kumar Jana, Vidyasagar University, India

Chapter 74
Perception of Corporate Social Responsibility by the Employees: Evidence from Slovenia 1442
Zlatko Nedelko, University of Maribor, Slovenia
Vojko Potocan, University of Maribor, Slovenia

Chapter 75
Impact of Local Self-Government Institutions on Creating a Business-Friendly Environment: Multi-Criteria Analysis 1466
Jelena Stanković, University of Niš, Serbia
Igor Novaković, University in Pristina – Kosovska Mitrovica, Serbia

Chapter 76
International Migration Through the Tourism Industry: Implications, Challenges, and Contradictions in South Africa 1489
Unathi Sonwabile Henama, Tshwane University of Technology, South Africa
Portia Pearl Siyanda Sifolo, Tshwane University of Technology, South Africa

Chapter 77
Population Growth, Governance and Urban Social Conflicts in Africa 1508
Shaibu Bala Garba, Qatar University, Qatar

Chapter 78
Promoting Agricultural Productivity and Inclusive Growth in Uganda 1528
William Amone, Gulu University, Uganda
Dick Nuwamanya Kamuganga, Uganda Technology and Management University (UTAMU), Uganda
Godswill Makombe, University of Limpopo, South Africa

Chapter 79
Exploring the Social Impact of Foreign Direct Investment on Institutional Change: The Case of Russia 1542
Natalya Smith, Heelstone Consulting Ltd., UK
Ekaterina Thomas, Staffordshire University, UK

Section 6
Critical Issues and Challenges

Chapter 80
Can Zakat Institutions Adopt Consumer-Centric Knowledge Management Successfully to Alleviate Poverty? 1560
Abu baker Ramadan Mohamed Hussain, Taibah University, Saudi Arabia

EBSCOhost - printed on 2/8/2023 3:41 PM via . All use subject to https://www.ebsco.com/terms-of-use

Chapter 81
Macroeconomic Reasons for International Migration Development 1587
Lokota Oleg, Russia Academy of National Economy and Public Administration, Russia
Kozlova Elena, Rostov State Transport University, Russia

Chapter 82
Finding Inner Strength in the Face of Adversity Kgopolano GROW Group Empowerment Journey: Botswana 1614
Keitseope Nthomang, University of Botswana, Botswana

Chapter 83
Global Economy Urbanization and Urban Economy Globalization: Forms, Factors, Results 1632
Denis Ushakov, International College Suan Sunandha Rajabhat University, Thailand & Russian Academy of National Economy and Public Administration–South Branch, Russia
Shieh Chich-Jen, Chang Jung Christian University, Taiwan

Chapter 84
Correlates of Political Consumption in Africa 1656
Emmanuel Adugu, University of West Indies – Cave Hill, Barbados

Chapter 85
E-Government for Rural Development in Tanzania: As Reviewed 1678
R. W. Kisusu, Tarime Institute of Business Management, Tanzania
D. M. Bahati, Local Government Training Institute, Tanzania
G. R. Kisusu, Rural Solutions and Consultancy, Tanzania

Chapter 86
Historical and Methodological Approaches to the Analysis of International Labor Migration in a Globalizing World Economy 1686
Eteri Rubinskaya, The Russian Presidential Academy of National Economy and Public Administration, Russia

Index xxi

EBSCOhost - printed on 2/8/2023 3:41 PM via . All use subject to https://www.ebsco.com/terms-of-use

Preface

The constantly changing landscape of Socio-Economic Development makes it challenging for experts and practitioners to stay informed of the field's most up-to-date research. That is why Business Science Reference is pleased to offer this three-volume reference collection that will present students, researchers, and academicians with a strong understanding of critical issues within Socio-Economic Development by providing both broad and detailed perspectives on cutting-edge theories and developments. This reference is designed to act as a single reference source on conceptual, methodological, technical, and managerial issues, as well as to provide insight into emerging trends and future opportunities within the discipline.

Socio-Economic Development: Concepts, Methodologies, Tools, and Applications is organized into six distinct sections that provide comprehensive coverage of important topics. The sections are:

1. Fundamental Concepts and Theories;
2. Development and Design Methodologies;
3. Tools and Technologies;
4. Utilization and Applications;
5. Organizational and Social Implications; and
6. Critical Issues and Challenges.

The following paragraphs provide a summary of what to expect from this invaluable reference tool.

Section 1, "Fundamental Concepts and Theories," serves as a foundation for this extensive reference tool by addressing crucial theories essential to the understanding of Socio-Economic Development. Introducing the book is "Global Market Trends" by William Amone: a great foundation laying the groundwork for the basic concepts and theories that will be discussed throughout the rest of the book. Section 1 concludes and leads into the following portion of the book with a nice segue chapter, "The Making of the Information Society: Taxonomy of Concepts, Determinants, and Implications" by P.E. Thomas.

Section 2, "Development and Design Methodologies," presents in-depth coverage of the conceptual design and architecture of Socio-Economic Development. Opening the section is "Picking the People Up From Poverty: Urban Labour Market Deregulation vs. Encouraging the Development of Micro-Enterprises" by Abu Saleh Mohammad. Through case studies, this section lays excellent groundwork for later sections that will get into present and future applications for Socio-Economic Development. The section concludes with an excellent work by Payal Jain, "A Crowd-Funder Value (CFV) Framework for Crowd-Investment: A Roadmap for Entrepreneurial Success in the Contemporary Society."

Section 3, "Tools and Technologies," presents extensive coverage of the various tools and technologies used in the implementation of Socio-Economic Development. The first chapter, "Hunger Hurts: The

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Politicization of an Austerity Food Blog" by Anita Howarth, lays a framework for the types of works that can be found in this section. The section concludes with "Utopia, Labor, and Informational Capitalism: Lights and Shadows of Social Media" by Marco Briziarelli. Where Section 3 described specific tools and technologies at the disposal of practitioners, Section 4 describes the use and applications of the tools and frameworks discussed in previous sections.

Section 4, "Utilization and Applications," describes how the broad range of Socio-Economic Development efforts has been utilized and offers insight on and important lessons for their applications and impact. The first chapter in the section is "The Inter-Linkage between Governance and Poverty: Evidences From SAARC Countries" written by Maniklal Adhikary and Dyuti Sinha. This section includes the widest range of topics because it describes case studies, research, methodologies, frameworks, architectures, theory, analysis, and guides for implementation. The breadth of topics covered in the section is also reflected in the diversity of its authors, from countries all over the globe. The section concludes with "Urban Economy and Sources of Its Efficiency as Factors Addressing the Challenges Faced by Urban Economy: The Case Study of Southern African Region" by Evelyn Chiloane-Tsoka and Junior Mabiza-ma Mabiza, a great transition chapter into the next section.

Section 5, "Organizational and Social Implications," includes chapters discussing the organizational and social impact of Socio-Economic Development. The section opens with "Social Media for Promoting Grassroots Political Movements and Social Change" by Amir Manzoor. This section focuses exclusively on how these technologies affect human lives, either through the way they interact with each other or through how they affect behavioral/workplace situations. The section concludes with "Exploring the Social Impact of Foreign Direct Investment on Institutional Change" by Natalya Smith.

Section 6, "Critical Issues and Challenges," presents coverage of academic and research perspectives on Socio-Economic Development tools and applications. The section begins with "Can Zakat Institutions Adopt Consumer-Centric Knowledge Management Successfully to Alleviate Poverty?" by Abu baker Ramadan Mohamed Hussain. Chapters in this section will look into theoretical approaches and offer alternatives to crucial questions on the subject of Socio-Economic Development. The final chapter of this book looks at "Historical and Methodological Approaches to the Analysis of International Labor Migration in a Globalizing World Economy" by Eteri Rubinskaya.

Although the primary organization of the contents in this multi-volume work is based on its six sections, offering a progression of coverage of the important concepts, methodologies, technologies, applications, social issues, and emerging trends, the reader can also identify specific contents by utilizing the extensive indexing system listed at the end of each volume. As a comprehensive collection of research on the latest findings related to using technology to providing various services, *Socio-Economic Development: Concepts, Methodologies, Tools and Applications* provides researchers, administrators, and all audiences with a complete understanding of the development of applications and concepts in Socio-Economic Development. Given the vast number of issues concerning usage, failure, success, policies, strategies, and applications of Socio-Economic Development in countries around the world, *Socio-Economic Development: Concepts, Methodologies, Tools, and Applications* addresses the demand for a resource that encompasses the most pertinent research in technologies being employed to globally bolster the knowledge and applications of Socio-Economic Development.

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Section 1

Fundamental Concepts and Theories

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Chapter 1
Global Market Trends

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ABSTRACT

This chapter provides a discussion of competitiveness, globalization, and trade, including their recent transformations. The global market has witnessed several changes including reductions in trade costs, increased global trade, growth of industrialization in developing countries, and a complete change in the nature of goods traded. The drivers of global market changes include shifts in production and consumption patterns, technological innovations, new ways of conducting business, and policy changes. Many governments have lately opened their economies to international trade, enabling them to reap several benefits. Openness to trade is believed to have supported the growth of many countries and has greatly contributed to the success of most Asian countries, especially China and India. Although the global market offers numerous benefits, many developing countries still face serous limitations to fully access it; they are constrained by factors such as quality inferiority, distance, quantitative restrictions, poor technical skills, bad governance, and border controls.

INTRODUCTION

As the global market is changing so rapidly, the key drivers underpinning global market changes include shifts in production and consumption patterns, new technological innovations, new ways of conducting business, and policy changes. Technology is a key driver of these changes; new technology has tremendously improved transport and communications anchoring the fast integration of the world into a single market. Trade and foreign direct investment (FDI), together with a greater geographical spread of income growth and opportunity, will further integrate a growing number of countries into more extensive international exchange.

According to the World Trade Organization (WTO) (2008), trade and globalization have generally brought enormous benefits to many countries and citizens. Trade has allowed nations to benefit from specialization and economies to produce at a more efficient scale. It has raised productivity and incomes, stimulated economic growth, supported the spread of knowledge and new technologies, and it has enriched the range of choices available to consumers.

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Global trade and the flows of goods and services are crucial for achieving sustained growth in developing countries. Alongside trade, growing flows of capital across national borders significantly contribute to economic growth and poverty reduction. The international mobility and division of labor also generates important distributional changes across countries (UNCTAD, 2012).

Many governments in developing countries have lately opened their economies to international trade through the multilateral trading system, increased regional cooperation or as part of domestic reform programs. However, the benefits of trade and globalization have not necessarily reached all sections of society. Furthermore, although international trade is an integral part of the process of globalization, trade skepticism continues to rise in certain sections of society (Jacks, Meissner, & Novy, 2011).

Despite the current global economic crisis, world trade has increased dramatically over the past decade, rising almost threefold since 2002 to reach about US$18 trillion in 2011. Developed countries continue to constitute the main players in international trade, while developing countries account for an increasing share. As of 2011, nearly half of world trade has originated from developing countries (up from about one-third in 2002). Although well performing as a group, developing countries' integration into the global economy has been rather varied. East Asia continues to dominate developing countries trade flows, while other regions lag far behind. China has become an increasingly important trading partner for many other developing countries, not only in the East Asian region, but also in Sub-Saharan Africa and Latin America (UNCTAD, 2013). According to the WTO (2008), the dominant share of the United States in world trade in the early 1950s has eroded in subsequent decades. Although the automotive agreement between the United States and Canada in 1965 strengthened intra-North American trade, their combined share in world trade shrank by 10 percent between 1953 and 1973.

During the following two decades, the share of regions in world merchandise exports varied largely due to the fluctuations of commodity prices and exchange rates. The oil-exporting developing countries (especially those in the Middle East) increased their share between 1973 and 1983, but lost significantly when oil prices decreased thereafter. In 1993, after the disintegration of the Soviet Union and the demise of the Council of Mutual Economic Assistance (CMEA) industrial countries (i.e., Western Europe, North America, and Japan), the share of world merchandise exports reached a peak. Together with the Asian Newly Industrialized Economies (NIEs), they accounted for more than 80 percent of world trade in 1993 (WTO, 2008).

In the 1990s, Japan's share in world exports began falling due to the competitive pressures exerted by the NIEs and China. The stimulus provided by the creation of the North American Free Trade Agreement (NAFTA) in 1994 was not even sufficient to reverse the downward trend in the share of Canada and the United States in global trade. Similarly, the European integration process which continued to deepen and expand to cover the central European countries and the Baltic States could not halt the relative decline of European exports (WTO, 2008).

World trade share drop of the industrial countries can be attributed to the rise of China, the recovery of the Commonwealth of Independent States (CIS), and in more recent years to the boom in commodity prices which boosted the trade shares of Middle East and Central/South America regions which export mostly minerals and other primary products. China initially concentrated on the manufacture and trade of textiles and other labour-intensive goods such as footwear and toys, but swiftly later its export basket diversified to include sophisticated electronics and data processing equipments. More recently, China's biggest gains in market share have been in iron and steel products. China more than tripled its share in world exports between 1990 and 2007, and apparently China is the world's most competitive exporter of merchandise (Nataraj & Tandon, 2011).

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According to the United Nations Economic Commission for Africa (2013), the share of Africa's world trade has been steadily declining. Africa mainly exports commodities like coffee, copper, and diamonds, but these products have fallen in value relative to manufactured exports like clothing and computers in which many Asian countries have specialized; therefore, their share of world trade has risen dramatically. Across Africa, most countries produce and export mainly unprocessed crops or minerals, even though such raw materials attract lower prices on world markets. However, some are changing to consciously develop their manufacturing industries.

Africa's trade performance improved slightly in line with global trends in 2010, although its share in world trade remained constant at 3.2 percent. The persistent prevalence of lack of value addition in Africa's predominantly raw material based export portfolio means the continent's export fortunes are contingent on commodity price movements, exacerbating the continent's susceptibility to external shocks (UNECA, 2013).

Rich, economically advanced countries pledged to open their markets to the poor, but progress has been painfully slow in world trade talks. Special pledges have been made to assist Africa's producers and manufacturers as they are offered duty free access to developed markets, but more must be done to improve Africa's ports, roads, and airports, and to increase manufacturing exports. For instance, the European Union and United States have been providing massive agricultural subsidies by making large payouts to their biggest farmers. This has caused overproduction and export dumping, undermining poor producers overseas (Oxfam, 2005). By dodging their commitments to reduce the subsidies that harm poor farmers overseas, while at the same time forcing poor countries to open their markets to unfairly subsidized produce, the rich countries are likely to frustrate the developing world's efforts in trade and ultimately these duplicities could undermine global trade.

MAJOR TRENDS IN GLOBAL MARKETS

- Decreases in international trade costs has anchored a mass increase in the volume of trade in the global market and is a key driving force behind today's global trading system. Besides improvements in transports and communications, the progressive reduction in Tariffs since the establishment of the General Agreement on Tariffs and Trade (GATT) in 1948, and the removal of many Non-tariff barriers (NTBs) that represent a large category of import restrictions have contributed significantly to the falling international trade costs (WTO, 2014).
- In the last 30 years, world merchandise and commercial services trade have increased by about seven percent per year, reaching a peak in 2011 of US$18 trillion and US$4 trillion, respectively. In 2008, services accounted for about 20 percent of world exports if considered in gross terms, while the value-added measure reveals that the contribution of services is twice as high (WTO, 2013).
- Between 1980 and 2011, the share of exports of developing economies increased from 34 percent to 47 percent and their share in world imports from 29 percent to 42 percent (see World Trade Report, 2013). Asia is playing an increasing role in world trade. Japan and China are two major growing forces in world trade, supplying the global market with a wide variety of finished products.

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- For a number of decades, world trade has grown on average nearly twice as fast as world production. This reflects the increasing prominence of international supply chains and hence the importance of measuring trade in value-added terms.
- According to the World Trade Report (2013), in a dynamic economic and open trade environment, developing countries are likely to outpace developed countries in terms of both export and GDP growth by a factor of two to three in future decades. By contrast, their GDP would grow by less than half this rate in a pessimistic economic and protectionist scenario, and export growth would be lower than in developed countries.
- With as a number of African countries now attempting to establish credible industrial policies as well as upholding structural transformation for industrialization, Africa is expected to emerge as a central region for global growth in the next few years (UNECA, 2014).
- According to the International Monetary Fund (2014), global activity and world trade augmented in the second half of 2013. Global economic growth during this period was stronger than anticipated in the October 2013 World Economic Outlook. Final demand in advanced economies expanded broadly as expected: much of the surprise in growth is due to higher inventory demand. In emerging market economies, an export rebound was the main driver behind better activity, while domestic demand generally remained subdued except in China.
- Considering projections, global growth is projected to be slightly higher in 2014 at approximately 3.7 percent, rising to 3.9 percent in 2015. Economic growth in the United States is expected to be 2.8 percent in 2014, an increase from 1.9 percent in 2013. Overall, growth in emerging market and developing economies is expected to increase to 5.1 percent in 2014 and to 5.4 percent in 2015. Growth in China rebounded strongly in the second half of 2013 largely due to acceleration in investment. This surge is expected to be temporary, partly because of policy measures aimed at slowing credit growth and raising the cost of capital. Growth in India picked up after a favorable monsoon season and higher export growth and is expected to firm further on stronger structural policies supporting investment. Many other emerging market and developing economies are now benefiting from stronger external demand in advanced economies and China (International Monetary Fund, 2014).

Global Competitiveness

According to the Global Competiveness Report 2012-13, competitiveness refers to the set of institutions, policies, and factors that determine the level of productivity of a country. In turn, the level of productivity sets the level of prosperity that can be reached by an economy. Productivity level also determines the rates of return obtained by investments in an economy, which are the fundamental drivers of its growth rates. Therefore, a more competitive economy is one that is likely to grow faster over time. The concept of competitiveness thus involves static and dynamic components. Although the productivity of a country determines its ability to sustain a high level of income, it is also one of the central determinants of its returns on investment, which is one of the key factors explaining an economy's growth potential (World Economic Forum, 2013).

However, Michael Porter (1990) believes national prosperity is created and not inherited. Porter states a nation's competitiveness depends on the capacity of its industry to innovate and upgrade; therefore, companies gain advantage against global competitors because of pressure and challenges, and that the companies benefit from having strong domestic rivals, aggressive home based suppliers, and constantly

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demanding local customers. Companies achieve competitive advantage through acts of innovations, and the only way to sustain a competitive advantage is to constantly upgrade (i.e., move to more sophisticated types). Companies approach innovation in its broadest sense including both new technologies and new ways of doing things. The Japanese auto makers practice this by initially penetrating foreign markets with small, inexpensive cars of adequate quality, but still continue to enhance their features. Private businesses and the government must work together to achieve national competitiveness (Porter, 1990).

The Global Competitiveness Reports state that Switzerland with its outstanding competitiveness performs consistently well across the many areas that make a country productive and economically resilient. Compared to the challenges being faced by many advanced economies in Europe and elsewhere, and despite being surrounded by countries struggling with managing the euro's difficulties, Switzerland has maintained an impressive growth performance and enviably low unemployment of only about 4%. While many qualities drive this exceptional performance, three of the most important drivers can be singled out: the excellence of its institutions, the dynamism of its markets and its strong capacity for innovation (World Economic Forum, 2013).

Public institutions in Switzerland are among the most effective and transparent in the world. The country is unique in its governance structure. With seven members of the Federal Council acting more or less as a collective Head of State, the country is governed under a highly decentralized form of federalism which is able to achieve high degrees of engagement among voters. Its political system fosters the well formulating and implementing of long-term economic agendas. Switzerland's enduring competitiveness is further explained by its highly sophisticated business environment which is supported by well-functioning labour and financial markets that help Swiss companies to offer high-quality products and compete across a very sophisticated product range (World Economic Forum, 2013).

However, Many African countries continue to feature among the least competitive economies in the world. Africa's problems include barriers to increased trade, worsened by the poor states of infrastructure and legal and regulatory environment, limited innovations, and poor public-private partnerships. Both public and private institutions in most African countries are characterized by widespread corruption, and inefficient government spending that cast doubt on the countries' ability to spend resources intended for fundamental projects. Furthermore, the countries' infrastructures are the least developed globally, and the educational and health systems still need a lot of improvements (World Economic Forum, 2014).

BENEFITS OF ACCESSING THE GLOBAL MARKET

Accessing the global market widens producers' market opportunities and promotes further investments and growth. Trade also creates jobs, attracts new investments, attracts new technology and materials, and offers people of a country wider choice in products and services. A number of business persons in developing countries still lack the key skills that are necessary for conducting international businesses. Access to the global market anchors all the above benefits and provides a good learning ground for premium global businesses.

As people earn money from trade, they spend, save, or pay taxes with the money. The government uses taxes to provide services which create more jobs. When people save, the capital markets lend money to others, who will spend it on consumer goods, or open/ expand a business, therefore creating new jobs. People's expenditures and demands create jobs. Trade raises incomes; it provides more choice of products and qualities and stimulates economic growth (World Trade Organization, 2008).

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The specific benefits of accessing the global market include the following:

- **Investments and Economic Growth:** Increased exports generate foreign exchange which can be used to purchase foreign goods and services such as tractors, computers, milling machine, grinding machines. These goods (machines) may be used in other production processes that finally end up stimulating investments in the country. By competing with foreign firms, increased exportation also exposes domestic firms/business-persons to the latest product and process innovations in their particular sector.
- **Market Access and Poverty Reduction:** The global market offers local producers greater market opportunities for their goods and services, and it also increases domestic returns to factors of production, and expands exporters' market horizons. The universal effect in this regard is that the local producers earn and learn more. The producers including farmers are therefore capable of moving out of poverty faster.
- **Meeting Needs:** Trade is always balanced if it is fair. Many businesses can create a surplus inventory of goods and services. For example, Rwandan farms produce more food than Rwandans can eat, and their service providers can provide services to other countries However, Rwandans cannot produce well-manufactured products like computers and televisions, so these products are mainly imported from Japan, China, the USA, or Europe. Both trading partners obtain something they need by trading something they do not require. Therefore, trade leads to specialization and exploitation of comparative advantage.
- **Job Creation:** Unlike the barter system of the past, businesses now receive money from selling their products or services to foreign markets. Exports are very important to a country as they create jobs for the people. Some foreign businesses that open their branches in a country also employ many of the local people.
- **Attracting Investment:** Investment follows trade. Many foreign companies will invest in an office, factory, or distribution warehouse to simplify their trade and reduce cost. While these investments create employment, they also attract more other international investors. Related businesses will also develop alongside to supply inputs or purchase the outputs.
- **New Technology and Materials:** New technology promotes competitiveness and profitability. If a business could create a machine that works better, faster, or cheaper (or all three), the business will have produced a more competitive product for national and international markets. Efficient production means more products, lower production costs and better quality products.
- **Diverse Products and Services:** For instance, in most African countries people can use various forms of electronics imported from the USA, Japan, Germany, or China such as computers, phones, televisions, and radios of various qualities. Foreign trade turns the world into a giant market, delivering food, fashions, etc. New services such as banking, travel, and consultation are also available now. Business competition is no longer on a city scale; instead, businesses compete against worldwide businesses. The result is better quality goods, lower prices, and higher functional design.
- *Improvement in infrastructure* such as roads, railways, schools, and hospitals. Good roads and railways are required for delivery of goods in the markets. The families engaged in trade will also require hospital and schools services. All these will ultimately lead to the development of societies.

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- Government obtains revenues from various taxes and fees. The government uses the money to provide public goods and services like security, and build required infrastructures such as shopping malls or markets.
- Trade enables sale/disposal of surplus products of a particular country.
- Trade builds good relations between the trading partners, thereby reducing conflicts.

COSTS OF ACCESSING THE GLOBAL MARKET

The global market has made it easy to buy and sell international goods; however, this situation presents both benefits and challenges. Such trade can cause countries to be prosperous for a short time, but leads to economic exploitation, loss of cultural identity, and even physical harm over the long-term. Understanding trade costs is essential for formulating policy interventions designed to reduce such costs (Moïsé & Le Bris, 2013)

- **Fulfillment of Minority Interest:** Great hardship can be caused when people make poor decisions about land use or surplus production for export, and do not take the general population's welfare into consideration. For instance, in East Africa the Chinese and Indians are acquiring and owning many resources including minerals and land. Therefore, they can influence a number of decisions in the countries; however, many times their interests conflict with those of the local populace since they mainly value their businesses and profits and not public interests. In many circumstances, the wishes of the majority aboriginal peasants are ignored because they do not actually own the land or minerals.
- **Specialization Leads to Over Dependency:** When focusing on the production of the goods in which a company possesses a comparative advantage and relying on supply of other goods from another country, the firm is at risk in case of a supply shortage or stoppage.
- **Cultural Identity Issues:** Culture is a major global export as it displays and promotes values and lifestyles worldwide. With global market access and contemporary globalization, many people have become overwhelmed by US-based ideas, especially youth around the world. People tend to copy/adopt the American ways of life including dressing, hairstyles, and accent: in the process they lose their own culture. Trade leads to diffusion of culture; others get lost while some people adopt new ones.
- **Social Welfare Issues:** Maintaining safety standards, minimum wages, worker's compensation and health benefits are all social welfare issues that cost business money. Through trade, a number of products that can cause health defects get exported /imported. Dangerous goods like explosives, chemicals, and guns are also traded. The challenge here is that such trade causes death and injury to people. Similarly, some exported consumer goods that are of poor quality may undermine health standards of the consumers.
- **Environmental Issues:** In many developed countries, businesses are urged by the government and environmental groups through strict laws and regulations to keep air, land, and clean water. This is a costly process, so businesses decide to move their operations to poorer countries where it is less regulated, thus posing great damage to the environment.

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- **Political Issues:** Precious commodities such as gold, diamond, oil or farmland are increasingly important for over which to retain control; poor management of these resources often leads to wars. Trade of these items has caused political alliances which do not assist people in the trading nations; instead, only powerful corporations control the commodities or resources.
- **Depletion of Natural Resources:** When the international demand for a given natural resource is high, it may be over-exploited and depleted in the attempt to meet world demand. This may even go against the will of the local people.
- **Seizure of Power and Loss of Control:** With trade, rich foreign investors will eventually controlling a number of local resources and possess more power and authority in a country than the natives of the land.

THE CHANGING PATTERN OF GLOBAL TRADE

The composition (nature of products) of world trade has changed significantly; it is totally different from what it used to be about 50 years ago. What could have happened? Are people's needs changing? Today communication and technological improvements have considerably shortened distances between countries, and nations are increasingly integrated economically (Jacks, Meissner, & Novy, 2011). The contemporary phenomenon of globalization seems to have gained speed, changing history daily, and is turning the entire globe into a single village. While some countries consider this matter a big problem, and therefore are missing the opportunities the situation offers, others have embraced it as a movement offering development potential to advance their growth and development. While some nations believe contemporary globalism is a dangerous process of exploitation where rich countries and big international corporations become larger and richer at the expense of poor ones, other nations see the situation as the final pin in the process of positive socioeconomic, mutually beneficial, global integration.

The entire process of globalization has actually changed the face of consumption and global trade; people fictitiously believe modem transportation and communications have abolished distance and that the world has become a small place. There is clearly some truth to these statements: the Internet makes instant and almost free communication possible between people thousands of miles distant while jet transport allows quick physical access to all parts of the globe. Generally, global market access has become easier and faster, and even the nature of items traded has significantly changed.

WHAT PRODUCTS DO COUNTRIES TRADE IN THE GLOBAL MARKET?

When countries trade globally, they deal in products ranging from agricultural outputs such as coffee, maize, wheat, soya beans, and plantains to mineral products such as silver, copper, coal, or oil. They also trade manufactured products such as vehicles, computers, and finished garments. Finally, trade in various services has also developed. The industrial economies played a central role in world merchandise exports until the 1990s due to their very large share in exports of manufactured goods, the product category most in demand. The long-term shifts in the composition of world merchandise trade show a strong rise in the share of manufactured goods and a marked decline in agricultural products and non-fuels minerals.

The share of agricultural products (including processed food) has declined from more than 40 percent in 1950 to less than 10 percent since 1999. The share of fuels in world merchandise exports has fluctu-

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ated sharply due to a marked variation in prices, with highest shares recorded in 1974, 1981, and 2007 (a total of 20 percent of world trade on each occasion) (WTO, 2008).

Manufactured goods, iron, steel, and textiles have witnessed massive decline in their relative importance over the years. The share of clothing, however, increased in the first two decades after World War II and exceeded that of textiles after 1980. Road motor vehicles also increased their share in world trade between 1950 and 1973, while office and telecommunications equipment were the most dynamic products in the 1990s. However, due to falling prices and less buoyant demand, by 2001 office and telecom products could no longer expand their share in world exports of manufactured goods.

According to the World Trade Report (2008), the industrial countries accounted for 85 percent of world exports of manufactured goods in 1955; however, their share declined to about two-thirds in 2006. The share of industrial countries in exports of agricultural products (including processed food) rose strongly from 40 percent in 1955 to roughly 60 percent in 2006. However, their share in world exports of fuels and other mining products was already low in 1955 (less than 40 percent) and further decreased to around 30 percent in 2006. Industrial countries' share of world exports of clothing, textiles and office and telecommunications equipment decreased steadily after 1955. For iron, steel, and chemicals, the decline began in 1973. Generally, between 1955 and 2006, a decline occurred in the share of the industrial countries in world manufactured exports.

On the opposite end of the relative decline of the industrial countries' exports is the rise of a highly diverse group of developing economies that now account for more than two-thirds of world clothing exports and more than one-half of world exports of textiles and office and telecom equipment. A big increase in the share of developing countries was in office and telecom equipment, a sector in which the fragmentation of production has been the most visible. These developing countries (including China and India) have doubled their export shares over the past 25 years, exporting more than a third for all manufactured goods (Nataraj & Tandon, 2011).

PRODUCT COMPOSITION AND TRENDS OF DEVELOPING COUNTRIES' EXPORTS

In the past, primary products-agricultural and mining goods constituted a bigger proportion of world trade. In early 20th century Britain when it overwhelmingly exported manufactured goods and mainly imported primary products, today the United Kingdom manufactures dominate both sides of the trade scene. Meanwhile, the USA has transitioned from a trade pattern in which primary products were more important than manufactures on both sides to one in which manufactured goods dominate on both sides (Krugman & Obstfeld, 2009).

According to the United Nations Environment Programme (2013), although gross agricultural trade has been growing in the recent decades, its growth rates have been significantly lower than those recorded in the manufacturing sector. The share of agricultural trade proportion to total global merchandise trade has declined. Today, agricultural trade accounts for approximately 10 per cent of total merchandise trade, compared to 30 percent 40 years ago (see Cheong et al., 2013). Nevertheless, agricultural trade remains particularly significant for developing countries, given the links between agricultural production, rural development, and poverty alleviation (UNEP, 2011a).

In 2010, developing countries held a share of 37 percent in world exports of agricultural products, an increase from 30 percent in 1995. Most of the growth in agricultural trade is attributable to an increase

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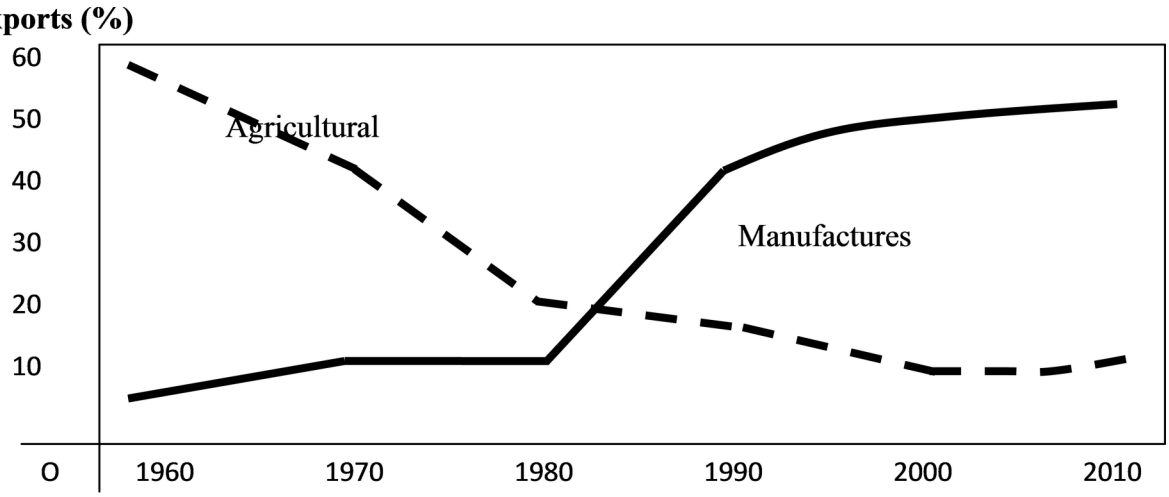
in trade in processed agricultural products. This shift is observed in both developed and developing countries. It implies there has been greater specialization in the process of value addition. Countries with a very low share of processed products in their agricultural exports tend to be low-income countries (Cheong et al., 2013).

The current situation in which manufactured goods dominate world trade is relatively new. A more recent transformation has been the rise of "Third World" manufacturing exports by developing countries. As recently as the 1970s, these countries in the so-called "Third World" mainly exported primary products. Since then, however, they have moved rapidly into exports of manufactured goods. Figure 1 shows the shares of agricultural products and manufactured goods in developing country exports since 1960. There has been an almost complete reversal of relative importance. More than 90 percent of the exports of China, the largest developing economy and a rapidly growing force in world trade, consist of manufactured goods. Generally over the last 40 years, the exports of developing countries have shifted toward manufacturing (UNCTAD, 2012).

Over the years, trade openness has contributed considerably to enhancing developing countries' participation in the global economy. The WTO (2014) states that between 1990 and 2008, the volume and value of exports from developing countries rose faster than exports from developed countries or the world as a whole. For example, between 2000 and 2008 the volume of developing countries' exports almost doubled while world exports increased by only 50 percent. Even after the recent global economic crisis, the decline in the value of developing country exports was smaller than developed country exports. The countries which have experienced strong export growth have lower levels of import protection than countries with stagnant or declining exports.

It should be noted that not all developing countries participate equally in international trade. Asia is by far the most important exporting region in the developing country group, with a 10 percent share of world exports in 1990 (US$335 million) which increased to 21 percent (US$2.603 billion) in 2009. In contrast, Africa had the smallest share of world exports at three percent in both 1990 and 2009. Along with Africa, Latin America and the Middle East did not experience a notable increase in the share of world

Figure 1. The changing composition of developing country exports



Sources: UN Council on Trade and Development, 2012; Cheong et al., 2013

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exports between 1990 and 2009. Simultaneously, the value of these three regions' exports did increase over the period: African exports, for example, increased from US$106 million in 1990 to US$379 million in 2009. In addition, LDCs accounted for only 2.8 percent of the value of exports of the developing country group in 2009. This share has not changed much since 1990, although LDCs' exports increased in value, from US$18 million in 1990 to US$125 million in 2009 (WTO, 2014).

IS THE GLOBAL MARKET RIGGED AGAINST NEW ENTRANTS?

The rather obsolete view that the world market is rigged against new entrants, preventing poor countries from accessing the global markets and hence becoming rich, has surprisingly turned out to be incorrect: A few Asian countries have proved to the world that any serious developing country can access the global market, generate wealth and expand its economy's Gross Domestic Product (GDP) to any level. Today Japan, China, and India are among the world's biggest economies. Just like any developing country, these three nations were equally poor. According to the International Monetary Fund (2013), China and Japan are the other world's largest (richest) economies after the USA. Other economies with very high GDP include Germany and France. Table 1 shows the list of the top biggest economies in the world.

In the 1950s and 1960s, it was widely believed that developing countries could create industrial bases only by substituting domestic manufactured goods for imports. However, from the mid-1960s it became increasingly clear there was another possible path to industrialization: via *exports* of manufactured goods primarily to advanced nations. The World Bank now refers to the group of countries that developed in this manner as the High Performance Asian Economies (HPAEs): they achieved spectacular economic growth, in some cases at more than 10 percent per year (Krugman & Obstfeld, 2009).

The Facts of East Asian Growth

From 1965 to 1990, the 23 economies of East Asia grew faster than all other regions. Most of this achievement is attributable to seemingly miraculous growth in just eight economies: Japan; the "Four Tigers" of Hong Kong, the Republic of Korea, Singapore, and Taiwan, China; and the three newly industrializing economies (NIEs) of Southeast Asia – Indonesia, Malaysia, and Thailand. Amazingly, these eight economies have been unusually successful at sharing the gains of growth. Compared to other developing economies, they have had declining levels of inequality. Rapid growth and improving equity are the defining characteristics of the East Asian miracle and the eight high-performing East Asian Economies (HPAES) (World Bank, 1993).

Kim and Lau (1994a) found that the postwar economic growth of the East Asian newly industrialized economies (NIEs)—Hong Kong, South Korea, Singapore, and Taiwan was mostly the result of the growth of tangible inputs: tangible capital and labor and not technical progress or equivalently the

Table 1. Biggest economies in the world

Country	US	China	Japan	Germany	France	Brazil	U.K	Russia	Italy	India
GDP in trillion US Dollars	16.2	9.0	5.1	3.6	2.7	2.5	2.4	2.2	2.1	2.0

Source: International Monetary Fund, 2013

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increase in total factor productivity. By contrast, the economic growth of the developed Group-of-Five (G-5) countries—France, West Germany, Japan, the United Kingdom, and the United States was mostly attributable to technical progress (Lau & Park, 2003).

The World Bank's definition of HPAEs contains three groups of countries whose "miracles" began at different times.

1. First is Japan which began rapid economic growth soon after World War II and now has per-capita income comparable to the United States and Western Europe.
2. In the 1960s, rapid economic growth began in four smaller Asian economies, often known as the "Four Tigers": Hong Kong, Taiwan, South Korea, and Singapore.
3. Finally, in the late 1970s and the 1980s rapid growth began in Malaysia, Thailand, Indonesia, and, most spectacularly, in China.

Each group achieved very high growth rates. Real gross domestic product in the "Tiger economies" grew at an average of 8-9 percent from the mid-1960s until the 1997 Asian financial crisis, compared to 2-3 percent in the USA and Western Europe. Recent growth rates in the other Asian economies have been comparable, and China has reported growth rates of more than 10 percent. The common fundamentals within the economic miracle were a commitment to education by the governments, sound fiscal policies, high domestic savings rates and a global outlook (Neelankavil, 2009).

In addition to their very high growth rates, the HPAEs have another distinguishing feature: they are very open to global trade and they are establishing their bases in every corner of the world. Agreeably, economists have concluded that East Asia's experience supports the proposition that liberalized markets are the best way to organize economies, developed or developing. The state should protect property rights and ensure the supply of public goods, but not impart directional thrust. More specifically, the state should create and sustain: (a) efficient, rent-free markets; (b) efficient, corruption-free public sectors able to supervise the delivery of a narrow set of inherently public services; and (c) decentralized arrangements of participatory democracy. The more these conditions are in place the more development and prosperity will follow (Wade, 2003).

According to the World Bank (1993), the miraculous eight Asian economies used very different combinations of policies from hands-off to highly interventionist. Thus, there is no single "East Asian model" of development. This diversity of experience reinforces the view that economic policies and policy advice must be country specific if they are to be effective. However, there are also some common threads among the high-performing East Asian economies. Rapid growth in each economy was primarily due to the application of a set of common, market-friendly economic policies, leading to both higher accumulation and better allocation of resources.

While there is a correlation between rapid growth in exports and rapid overall economic growth, the correlation does not necessarily demonstrate that free trade policies have been the main reason for the high growth in the HPAEs. Instead, most economists who have studied the issue now believe that while the relatively low rates of protection in the HPAEs helped them to develop, they are only a partial explanation of the "miracle." (Krugman & Obstfeld, 2009).

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The Washington Consensus and East Asian Growth

Coined in 1989 by English economist John Williamson, the *Washington Consensus* contains a set of 10 relatively specific economic policy prescriptions that were considered to constitute the "standard" reform package promoted for crisis-wracked developing countries by Washington, D.C.–based institutions such as the International Monetary Fund (IMF), the World Bank, and the US Treasury Department. The prescriptions encompassed policies in such areas as macroeconomic stabilization, economic opening with respect to both trade and investment, and the expansion of market forces within the domestic economy (IMF, 2013).

The policies include:

- Fiscal discipline.
- A redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure.
- Tax reform (to lower marginal rates and broaden the tax base).
- Interest rate liberalization.
- A competitive exchange rate.
- Trade liberalization.
- Liberalization of inflows of foreign direct investment.
- Privatization.
- Deregulation (to abolish barriers to entry and exit).
- Secure property rights.

The phrase "Washington Consensus" has become a lightning rod for dissatisfaction among anti-globalization protestors, developing country politicians and officials, trade negotiators, and numerous others. It is often used interchangeably with the phrase "neoliberal policies." Today, it is quite outstanding that although the Washington Consensus package was confidently disseminated, there is virtually no good evidence that the creation of efficient, rent-free markets coupled with efficient, corruption-free public sectors is even close to being a necessary or sufficient condition for a dynamic capitalist economy.

According to Wade (2003), almost all currently developed countries experienced different stages of industrial assistance policy before the capabilities of their firms reached the point where a policy of (more or less) free trade was declared to be in the national interest. Britain was protectionist when it attempted to be on par with the Netherlands. Germany was protectionist when trying to catch up with Britain. The United States was protectionist when trying to compete on par with Britain and Germany right up to the end of the World War II. Japan was protectionist for most of the 20th century until the 1970s, and Korea and Taiwan was the same until the 1990s. Hong Kong and Singapore are the great exceptions in international trade in that they did have free trade and they did eventually develop on par with other developed nations.

Today's fast and populous economic entities include mainly China, India, and Vietnam which have certainly benefited from the more open markets and international investment of the past two decades. However, they began their fast economic growth well before their fast trade growth and even longer before their trade liberalizations. They have constrained their trade liberalizations by considerations of the capacities of domestic firms to compete against imports, in just the manner List recommended (Wade, 2003).

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India's Boom

With a population of more than 1.2 billion people, India is the world's second-most populous country after China with a population of about 1.4 billion (World Bank, 2014). A generation ago, India was a very minor player in world trade and its sluggish economy had little participation in world trade. After the country achieved independence in 1948, its leaders adopted a particularly extreme form of import-substituting industrialization as their development strategy. India imported almost nothing that it could produce domestically, even if the domestic product was far more expensive and of lower quality than what could be bought abroad. High costs, in turn, crimped exports, so India was a very "closed" economy. In the 1970s, imports and exports averaged only about five percent of GDP, close to the lowest levels of any major nation. (Sharma, 2000).

Until about 1980, India endured very low rate of economic growth of about 3% per annum which was sometimes mocked as the "Hindu rate of growth". After 1980, India's growth accelerated dramatically: GDP per capita, which rose at an annual rate of only 1.3 percent from 1960 to 1980, grew at close to four percent annually since 1980. And India's participation in world trade surged as tariffs were lowered and import quotas were removed. By 2005, exports and imports were 20.3 and 23.3 percent of GDP, respectively (Virmani, 2004).

India is a growing force in world trade, especially in new forms of trade that involve trade in information rather than in physical goods, thus apparently permitting it to become a high-performance economy. Although it remains a rather poor country, it is rapidly growing richer and has begun to compete with China as a focus of world attention. India is also aggressively pushing for a more liberal global trade regime, especially in services. It has assumed a leadership role among developing nations in global trade negotiations, and played a critical part in the Doha negotiations (World Bank, 2013). Today India is the 10th world's largest economy with a GDP of US$2.0 trillion, per-capita income of US$1,500, and life expectancy at birth at 65 years (World Bank, 2013; IMF 2013).

Chinese Economic Growth

Two hundred years ago, China was the world's greatest power in terms of both economic muscle and geographical territory. Although the concept of GDP did not exist at that time, Angus Maddison estimated that China in 1820 accounted for about one-third of the world's GDP. However, such economic dominance did not last as the Chinese economy suffered greatly under colonial exploitation and Mao's extreme economic policies. In the 19th century, China suffered from complacency that the historian David Landes has called an "ineffable stillness of immobility." (Malkiel, 2009).

The World Bank (2014) states that since initiating market reforms in 1978, China has shifted from a centrally planned to a market based economy and experienced rapid economic and social development. The country's GDP growth, averaging about 10 percent each year, has lifted more than 500 million people out of poverty. All Millennium Development Goals have been reached or are within reach. With a population of 1.4 billion, China recently became the second largest economy and is increasingly playing an important and influential role in the global economy. China remains a developing country since its per capita income is still a fraction of that in advanced countries and its market reforms are incomplete. Official data shows that about 98.99 million people still lived below the national poverty line of RMB 2,300 per year at the end of 2012. With the second largest number of poor in the world after India, poverty reduction remains a fundamental challenge (World Bank, 2014).

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However, amidst the country's economic success there is also skepticism about the future as not everyone is convinced China will continue on its rapid growth path. Indeed, many China experts see a plethora of serious problems, and some have even forecast a meltdown. Rapid economic ascendance has brought on many challenges as well, including high inequality; rapid urbanization; challenges to environmental sustainability; and external imbalances. China also faces demographic pressures related to an aging population and the internal migration of labor (Malkiel, 2009).

Significant policy adjustments are required in order for China's growth to be sustainable. Experience shows that transitioning from middle-income to high-income status can be more difficult than moving up from low to middle income. China's 12th Five-Year Plan (2011-2015) attempts to addresses these issues. It highlights the development of services and measures to address environmental and social imbalances, setting targets to reduce pollution, to increase energy efficiency, to improve access to education and healthcare, and to expand social protection. Its annual growth target of seven percent signals the intention to focus on quality of life rather than on pace of growth (World Bank, 2014).

The East Asian growth and trade experience seems to challenge some key beliefs regarding economic development that are widely accepted:

1. First, the presumption that industrialization and development must be based on an inward-looking strategy of import substitution is clearly false. On the contrary, the success stories of development have all involved an outward-looking industrialization based on exports of manufactured goods.
2. Second, the pessimistic view that the world market is rigged against new entrants, preventing poor countries from becoming rich, has turned out to be incorrect. With correct policies and suitable investments by governments, economies can get transformed, become prosperous, and change the living standards of its populace.

WHICH COUNTRIES TRADE MORE AND WHY? A DISCUSSION BEYOND THE GRAVITY MODEL

The Gravity Model of World Trade

According to the Gravity Model of World Trade, the value of trade between any two countries is proportional, other things equal, to the *product* of the two countries' respective GDPs, and diminishes with the distance between the two countries. The model implies a country with a big economy such as that of the USA would trade more with another giant economy such as Germany or Japan, and trade less with a smaller economy like Sweden. It also means the USA is likely to trade more with its neighbors: Canada and Mexico than even big European countries even though the neighbors may be smaller economies. In fact, Canada, whose economy is roughly the same size as Spain's, trades as much with the USA as does all of Europe (Krugman & Obstfeld, 2009).

Considering global trade as a whole, economists use an equation of the following form to predict the volume of trade between any two countries fairly accurately,

$$T_{ij} = \frac{k \times Y_i \times Y_j}{D_{ij}} \tag{1}$$

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where k is a constant term, T_{ij} is the value of trade between country i and country j, Y_i is country *i's* GDP, Y_j is country *j's* GDP, and D_{ij} is the distance between the two countries. Therefore, ceteris paribus, the value of trade between any two countries is proportional, to the *product* of the two countries' GDPs, and diminishes with the distance between the two countries.

The equation (1) above is known as a *Gravity Model* of world trade. The reason for the name is the analogy to Newton's law of gravity: Just as the gravitational attraction between any two objects is proportional to the product of their masses and diminishes with distance, trade between any two countries is, other things equal, proportional to the product of their GDPs and diminishes with distance (Krugman & Obstfeld, 2009).

Economists often estimate a somewhat more general gravity model of the following form:

$$T_{ij} = \frac{k \times Y_i^a \times Y_j^b}{D_{ij}^c} \tag{2}$$

This equation states the three things that determine the volume of trade between two countries are the size of the two countries' GDPs and the physical distance between the countries, without specifically assuming that trade is proportional to the product of the two countries' GDPs and inversely proportional to distance. Instead, *a, b,* and c are chosen to fit the actual data as closely as possible. If *a, b,* and c were all equal to 1, this would be the same as equation (1). In fact, estimates often find that equation (1) is a rather solid approximation.

Does the gravity model really hold? Generally, large economies tend to spend large amounts of money on imports because they have large incomes. They also tend to attract large shares of other countries' spending because they produce a wide range of products. Therefore, trade between any two economies is larger with the larger being *either* economy. For instance, the USA trade and investment relationship with European countries is the largest in the world and this should not be complex. These countries have big economies, large incomes and they have various needs in common. Similarly, USA goods and services trade with Japan totaled US$267 billion in 2011. Exports totaled US$113 billion while Imports totaled US$154 billion. The USA trade deficit with Japan was US$40 billion in 2011. Japan was the USA's fourth largest goods trading partner with US$195 billion in total (two ways) during 2011. Therefore, the Gravity Model justifies this trade trend (USTR, 2014). Although the Gravity Model fits the data on USA trade with European countries fairly well, it may not work perfectly well for other counties. Often trade between two countries may be either much more or much less than what the gravity model predicts.

Why should this be the case? The answer to the above question is that there are many factors affecting trade between two countries and are not captured by the Gravity Model. Some of these factors include the following:

1. **Investment in Physical Infrastructure:** This can facilitate the integration of new players into international supply chains. The accumulation of capital and the build-up of knowledge and technology associated with investment, particularly foreign direct investment, can also enable countries to climb the value chain by altering their comparative advantage. Well-built and efficient physical infrastructures reduce the cost of doing business, and anchors larger volume of trade.
2. **Demographic Composition and Change:** This affects trade through its impact on a nation's comparative advantage and on import demand. An ageing population, migration, educational im-

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provements and women's participation in the labor force will all play a role in the future, as will the continuing emergence of a global middle-class. Very youthful or very elderly populations may not favor trade.

3. **Research and Development (Technological Progress):** Countries representing 20 percent of the world's total population accounted for about 70 per cent of research and development (R&D) expenditure in 1999, but only about 40 percent in 2010 (see World Trade Report, 2013). Technology spillovers are largely regional and stronger among countries connected by production networks. In addition to the traditionally R&D intensive manufacturing sectors, knowledge-intensive business services are emerging as key drivers of knowledge accumulation.
4. **Transport Costs:** Ample opportunities exist for policy actions at the national and multilateral level to reduce transportation costs and offset the effect of higher fuel costs in the future – thus improving the quantity and quality of transportation infrastructure, and introducing more competition on transport routes, and supporting innovation are likely to foster more trade.
5. **Institutional Operational Quality:** Notably in relation to contract enforcement, clearance and legal support can reduce the costs of trade. Institutions are also a source of comparative advantage, and trade and institutions strongly influence each other.

WHICH COUNTRIES ARE TRADING MORE TODAY AND WHY?

According to the *Economist* (2014), China is currently leading in global trade. The weekly publication reports China's export value at more than US$2.21 trillion, thus leading the world in international trade in goods in 2013. Its combined imports and exports amounted to almost US$4.2 trillion, exceeding that of the USA for the first time. However, some skeptics of China's trade highlight that many of its seemingly sophisticated exports include valuable imported components. According to the WTO and the OECD, China itself adds only 67% of the value of its exports while the USA adds 89%. Indeed, if one considers only the value that a country adds to its exports, then export figures for the USA are roughly equal to those of China's (Economist, 2014).

India and China, which are now powerful in global trade, share a number of key common elements. First, they share the same continent. Next, demographically they both possess populations exceeding one billion. Third, the two countries have a rich and long history, making them world leaders until the 19th century. Last, they are also similar in economic development trends with just a few differences. The main difference between the two giants is probably their differing political systems as democracy is much more rooted in India than in China (Malkiel, 2009).

It is clear the increasing degree of trade openness, especially regarding exports, and the liberalization of imports, has favored a surge in trade in both China and India. In addition, huge foreign direct investment inflows, mainly attracted by much lower labor costs, probably engendered spillover effects and contributed to transformation of the production specialization in both countries. The hypothesis that "openness" of the economy plays a positive role in economic growth has been largely analyzed in the theoretical and empirical literature (see Frankel & Romer, 1999; Bensidoun et al., 2009). Most empirical studies confirm the positive effects of "openness" on trade and growth.

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WHAT FACTORS HAVE LIMITED MOST DEVELOPING FROM ACCESSING AND BENEFITING FROM THE GLOBAL MARKET?

Although global market offers numerous benefits to the potential trading nations, most developing countries cannot have ample access to it. According to the WTO (2014), poor nations have limited access to the global market due to factors such as quality inferiority, distance, quantitative restrictions, limited technical skills, bad governance, terrorism threats, and border controls.

Specific limitations include the following:

- **Quality:** Most developing countries export primarily agricultural unprocessed products such as coffee, cotton, and wheat. They also export unprocessed minerals such as copper ore, silver, and crude oil. These types of products provide these countries with low foreign exchange and yet the cost of transporting and delivering them to the destined markets are very high. For the few processed products coming from the developing countries, their quality is usually so low that they are hardly accepted into many developed countries.
- **Distance:** A larger volume of world trade takes place outside Africa where the majority of developing countries are housed. This makes it more difficult for them to participate in the global market trade, as long distance increases the cost of trade for these countries. If they must travel there to engage in trade, they are affected by transportation costs.
- **Quantitative Restrictions:** Many developed countries impose quantitative restrictions on imports entering their countries. These restrictions limit the volume of trade that can be conducted, especially by developing countries that must strive to search for markets.
- **Technical Skills:** Most traders in developing countries including farmers and miners lack international exposure, and are often caught unprepared by new trade policies that sometimes do not favor their businesses. As such, they are often not as strategic in business as their counterparts in developed counties. This limitation in technical skills undermines the volume of potential trade they can effectively conduct.
- **Bad Governance:** Traders in most developing countries are normally subjected to unhealthy trade policies, unacceptable beaurocratic processes, baseless political interference, and tainted images abroad. All these factors combined downplay their trade potential.

WAYS OF INCREASING GLOBAL MARKET ACCESS TO DEVELOPING COUNTRIES

As discussed earlier, accessing the global market improves a county's terms of trade. Improvement in the terms of trade raises the profitability of exporters, creating more incentives for investments. Labor and other factors of production switch from other sectors to their most productive sectors. In turn, all of these lead to economic growth and development.

We have also seen that most developing countries do not yet benefit much from global trade due to bottlenecks that restrain their full access to the global markets. To tap into trade-growth opportunities and global trade benefits, developing counties must diversify in several ways: they need to become less dependent on the stagnating markets of their traditional trading partners in the developed world, and

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simultaneously they must lower their dependence on the export of commodities vulnerable to price shocks (International Trade Centre, 2012).

This section provides a discussion on how developing counties should be supported in order to enable them gain full access to the global market. The key supports include the following:

- **Reduction in Export Tariffs:** If possible, developed countries should reduce the level of tariffs on developing countries' exports to levels below (or further below) those faced by other exporting countries. This difficult action may require a lot of negotiations and lobbying. More potential markets for developing countries' exports exist in the developed countries since most developing countries produce products of similar nature.
- **Most-Favored Nation (MFN) Tariff Reduction:** Developed countries should not discriminate against developing countries using tariffs. Under the MFN treatment/rule, countries agree not to discriminate against other WTO member countries. Thus, if a country offers low tariffs on, for example, computer imports (e.g., 5%), then it must charge 5% on computer imports from all other WTO members. Discrimination or preferential treatment for some countries is not allowed. However, the country is free to charge a higher tariff on imports from non-WTO members. The MFN rule is the first article of the General Agreement on Tariffs and Trade (GATT), which governs trade in goods and is also priority in the General Agreement on Trade in Services (GATS) (Article 2) (WTO, 2009). Non-discrimination will encourage increased volume of exports, and it will also indirectly improve the terms of trade of those developing countries exporting their commodities
- **Higher Export Quotas:** Another factor to consider for increasing global market access to developing countries is an increase in (i.e., a relaxation of) the level of quotas set by some (or all) developed countries on a particular developing country's exports. In most cases, the effect of a higher export quota is a higher volume of exports, and increased domestic relative price of the exported commodity.
- **Improvement in Infrastructures:** Governments of developing countries should invest in all sorts of exports enabling infrastructures. Existence of first class airports or seaports, with good local roads and railways networks, will foster fast and reliable shipment of exports to the international markets. This will make trade easier and faster for developing counties.
- **Export Subsidies:** Provision or granting an export subsidy usually raises the domestic relative price of the export commodity. Export subsidies can take various forms, including subsidized credit and/or intermediate inputs, fiscal incentives, support with technological upgrade and/or quality control in order to meet product health and/or safety standards.
- **Export Favorable Policies and Procedures:** Governments in developing countries should institute local policies/laws that favor exporters and simultaneously they should negotiate for favorable international policies for the traders. Good policies should encourage and protect traders, and also ease the process of trade clearance. Restraining policies with lengthy and bureaucratic processes will constrict traders, hence limiting their global market access.
- **Peace and Democracy:** All governments are concerned about the health, safety and peace of their people. Most governments in developed countries feel more comfortable to trade with people who do not pose health and safety risk in their country. Traders and goods from a non-peaceful and undemocratic country may suffer skepticism or even sanctions in many markets.

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CONCLUSION

The global market has witnessed various changes especially in the last four decades. There has been a complete change in the nature of goods traded in the global market from mostly agricultural products to manufactured products. Most countries have also heeded to the changing demand in the global marketplace, and are therefore supplying fully finished/processed products. Accessing the global market could potentially help to alleviate poverty as the long-term benefits from improved resource allocation and efficiency resulting from trade liberalization are well documented. Openness to trade is believed to have been central to the remarkable growth of developed countries since the mid-20th century and an important factor in economic growth and poverty alleviation, as demonstrated by the experience of some Asian countries, especially China and India.

The global market appears to be open for access to all countries including developing countries without any form of rigging or bias. Developing countries are slowly improving the quality of their products to satisfy international demand, thereby gaining access to the global market, and gradually contributing to global economic growth. A number of developing countries are already reaping the benefits of accessing the global marketplace.

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KEY TERMS AND DEFINITIONS

Competitiveness: The set of institutions, policies, and factors that determine the level of productivity of a country; a more competitive economy is one that is likely to grow faster over time.

Developing Country (Less-Developed Country): A nation with a lower living standard, underdeveloped industrial base, and low Human Development Index (HDI) relative to other countries.

Economic Development: A multidimensional process that involves major changes in social structures, popular attitudes, and national institutions as well the acceleration of economic growth, the reduction of inequality and the eradication of poverty.

Economic Growth: The increase in the market value of the goods and services produced by an economy within a given time period; it is measured as the percentage rate of increase in real gross domestic product.

Global Market: The market in which goods and services of one country are traded (purchased or sold) to people of other counties.

Globalization: The increasing integration of national economies into expanding international markets, involving the process of advancement and increase in interaction among the world's countries and people.

Gross Domestic Product (GDP): The total final output of goods and services (in monetary terms) produced by a country within its territory by the residents and non-residents, regardless of its allocation between domestic and foreign claims.

Poverty: The lack of basic needs and services such as food, clothing, beddings, shelter, paraffin, basic health care, roads, markets, education, information and communication.

Trade Liberalization: The removal or reduction of restrictions or barriers on the free exchange of goods between nations; may involve dismantling of tariff as well as non-tariff barriers.

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Chapter 2
Social Exclusion and Poverty:
EU 2020 Objectives and Turkey

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ABSTRACT

In this chapter The EU's 2020 Objectives concerning social exclusion and poverty and Turkey's vision on social exclusion and poverty based on tenth development plan and Justice and Development Party's 2023 vision is dealt. The EU has developed a growth strategy named "EU 2020" in 2010. The objective concerning social exclusion and poverty of this strategy is to rescue as much EU citizens as possible from social exclusion and poverty and decreasing the number of EU citizens who live under poverty line by 20%. Although Turkey is not officially obliged to follow goals stated in EU 2020 objectives, it is integral for Turkey to pursue those principles in order to be harmony with the EU and reach her final aim of being a member of the EU.

INTRODUCTION

Poverty, which can be summarized as an individual's struggle with meeting the basic needs resulting from being a human, is a notion as old as the history of humanity. On the other hand, poverty, as a social phenomenon, is evaluated as a product of the industrial revolution. Oppressive wage policies brought by the industrialization process pushed the laborers, who have no income but their labor, and their families into poverty. Individuals became dependent on the "affection" granted by the capitalist system in this period where the social solidarity weakened and alienation process got faster. This also brought about a new type of poverty, social exclusion, which causes class conflicts and causes the social order to be disturbed as it has never been before.

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Issues of poverty and social exclusion in European Union are matters evaluated within the framework of European Social Charter. All the citizens have the right to be protected against social exclusion and poverty. This right is not only evaluated on the basis of employment but also on the basis of citizenship. Within this framework, many decisions have been made towards prevention of social exclusion and poverty in European Union since the beginning of 1990s. In 2000, major advancements were aimed within ten years in the issues of poverty and social exclusion in the Lisbon Council. However the evaluation made in 2010 showed that the objectives were not met as a result of the economic crises. In light of these developments, EU decided to bring the EU 2020 Strategy into action to solve negativities to be seen within the next ten years with sensible, sustainable and inclusive growth strategies. This strategy, bringing new developments in the issues of poverty and social exclusion, tacitly imposes responsibilities to candidate countries like Turkey.

Turkey has worse indicators in the issues of poverty and social exclusion than EU member countries. It is inextricable that Turkey which is on course of full membership to EU primarily catches on similar objectives with member countries to go through a smooth integration process The opposite would cause Turkey's membership to either be delayed or problematical. Justice and Development Party's 2023 vision and particularly 10th Five-Year Development Plan come to the forefront as the most concrete objectives put forward in the issues of poverty and social exclusion in Turkey where the anticipation that economic growth will eliminate poverty is dominant.

POVERTY AS A SOCIAL PHENOMENON

It is possible to mention about poverty in every period of the history. Poverty which is caused by individual or social circumstances can be evaluated as the inadequacies or difficulties faced in meeting the needs of an individual stemming from being a human. But poverty, as a social phenomenon, can be accepted as a product of the industrial revolution. It characterizes the struggles of masses in factories flooding to cities from rural areas with the thought of a better life and more freedom. Individuals earning their keep as agricultural laborers have become unsuccessful in meeting their basic needs against the competitive wage systems of the factories. This situation not only causes absolute poverty for individuals but also makes social life change as it has never changed before. Loss of the culture of solidarity and support of traditional society created the need to take institutional precautions and caused poverty to become more structural.

In modern world, however, the causes of poverty are based on many economic and social reasons. Even if the short income is always a leading reason among these, the poverty of the modern world together with the weakness sensation against the state and the society has become a social issue containing the insufficiency in dealing with these and the vulnerability for negative situations.

The first studies towards understanding the poverty are seen in the sixteenth century. Vives's "The Relief of the Poor" published in 1526, Paine's "Agrarian Justice" published in 1796 and Mill's studies in which he foresaw relief to the poor draw attention as the first studies to try to explain the notion of poverty (Bugra, 2007, p. 77). Many studies were made in the following days towards evaluating the poverty. Poverty was attempted to be evaluated within the frame of different definitions in these studies. However in present day, it is generally researched in three groups as relative and human poverty, approximation poverty and absolute poverty.

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Absolute poverty is the case in which an individual can only meet his basic needs simply to go on living. It can be compared between countries and people with global standards. Per capita income is the most useful measure for this comparison. Individuals who have an income below one Dollar per day are accepted as an absolute poor. In the definition of the United Nations, absolute poverty is defined as the severe poverty in meeting the basic human needs like food, safe drinking water, sanitation, health, shelter and education. This definition evaluates poverty not only in terms of income but also access to other services (Ingstad & Eide, 2011, p. 1). Relative poverty is an approach which evaluates the individual as a social asset and conceptualizes in that whether the individual has the minimum level of living within the society he belongs to. It is related to the division of income and welfare (Gundogan, 2008, p. 43). Human Poverty is focused on income poverty and more extensive human values like education, health and access to safe drinking water. It estimates poverty within the frame of "Human Poverty Index". According to this, while evaluating the data of lifetime, education and a fair living standard for developing countries, social exclusion is added to these parameters for the developed countries (UNDP, 1997, p. 18).

A NEW ASPECT IN POVERTY: SOCIAL EXCLUSION

The industrial society that emerged as a result of the industrial revolution in the nineteenth century brought together a new type of poverty which includes interclass conflicts of interest and causes the social order to be disturbed. This new type of poverty even got worse with the problems resulting from the inability of the proletariat to be represented in the politic institutions and to access full citizenship rights. And with this, it caused the revenue gap between those on top of the scale and those on the bottom to rise and thus starting the social polarization.

Social exclusion is the opposite of the social integration that reflects the importance of being a part of the society. It is an economic, politic, social and a multi-dimensional notion focusing on the mechanisms related to the processes that excludes people. Social exclusion is the situation in which an individual has less chance in accessing financial resources, dwelling, employment, education, health services that rise the level of welfare and accessing social institutions when compared to the rest of the population and the long continuation of this disadvantageous situation (Robilac, 2006, p. 87).

The term of social exclusion started to be used by French sociologists to define social problems emerging in relation with the socio-economic transformation in the 1970s. The term defines the lack of social adaptation caused by the increasing inequalities and massive, social and economic security gap for an increasing part of the population. In this period, an increasing number of individuals were not able to access a proper job and the masses with disadvantages in income, shelter, health and education were growing. This situation caused the social exclusion to be not only about the lack of materialistic wealth but also the formation of deprivation (Bhalla & Frederic, 2004, p. 2).

In fact, social pressures and struggles were reduced in particularly the industrialized countries with the welfare state practices that reached up to the end of 1960s after the Second World War. The social integration was increased with the rising full employment conditions and improvements in the living conditions of the laborers in the welfare atmosphere created by the economic growth achieved in this period. But the crises that started in the late 1970s caused the socio-economic structure in the industrialized countries to transform. New supra-national strategies, new types of social and economic regulations came along with reorganization in the labor market and globalization. This process started to harm the

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growth and social justice mechanisms that were harmonizing in the Fordist production organization. At the same time, sweeping ideological changes in this period like privatization, liberalization, reduction of public services and deregulation of labor market caused this process to speed up. These circumstances revealed poverty problems of individuals that were integrated well in the society once. This situation not only affected the poor, the handicapped and the marginal groups outside the social norms but it also caused the population to be exposed to an increasing long-term unemployment, loss of the social status and weakening of family and non-family bonds. Thus the notion of social exclusion is more related to the socio-economic structural changes than individual behaviors or characteristics (Bhalla & Frederic, 2004, pp. 3-4).

The notion of social exclusion brings poverty into minds first. In fact, poverty is not the sole determinant of the social exclusion while it is an important element of it. To understand the social exclusion, one must study democratic participation processes, labor market, welfare state practices supporting economic and social integration and domestic and social sub-systems (Kaya, 2009, p. 16). Poverty aspect of the social exclusion is generally a result of the exclusion from labor market, from opportunities of welfare state and from family and society. The faults resulting from wrong fictionalizing in democratic and legal systems reflect the situation of exclusion from citizenship integration (Martin, 1998, p. 43). We can say that there are two basic determinants of the notion of social exclusion. These are economic exclusion meaning the exclusion of people from employment, earnings, property, shelter and education and social exclusion preventing social integration (Haan, 2000, p. 26). Groups that are prone to exclusion are generally ethnic or religious minorities. These groups are perceived as "the others" by the rest of the society because of their different cultural practices (WB, 2011, pp. 2-3).

THE NOTION OF POVERTY AND SOCIAL EXCLUSION IN THE EU

Poverty in EU is a notion mention together with the notions of social exclusion and social inclusion. The notion of social inclusion are the public regulations to make individuals who have less income than most of the society, different ethnicities and religions and whose gender, education and abilities are lower take advantage of equal civil rights in the social level. The content of these regulations is not employment activities towards eliminating absolute poverty but all the practices towards being an equal citizen (Bugra, 2007, p. 77). Poverty, in this sense, is perceived differently by EU than many developing regions of the world. Absolute poverty is an issue that is not accepted in the Union and comes up less for the member states than the developing countries. This is because the main goal of the Union is not only providing basic needs of the citizens as opposed to other countries but also aiming to provide a high level of welfare and the opinion that the acceptable minimum living standard is, as a necessity of the socio-economic development, is enough to keep up living in a developed country (EAPN, 2009, p. 8).

The first definitions in the UN for poverty are based on the studies on the report for fighting the poverty made in 1975. In the report, the poverty is defined as the inability of the country to provide the acceptable living standards that are cash income, property, access to public and private services in family and individual life (European Communities, 1975, p. 2). Based on this definition, it was estimated that there were nearly 10 million poor families in the mid-1970s which corresponds to 11, 4 percent of the population. Being unemployed for various reasons, having only one income in the family, belonging to various ethnic groups like immigrants and Romans are seen as the main reasons for poverty (European Communities, 1982, p. 7).

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However in the report published in 2004, the notion of poverty became very different than the notion of poverty that was accepted in many regions of the world and a wider definition of poverty was made in parallel with European Social Model. Hereunder, the poverty is defined as the lack of income and sources of an individual as to levels preventing him from accessing the living standards of the society he lives in, unemployment resulting from poverty, low income, poor sheltering, inadequate health services, obstacles in front of the lifelong education, cultural and sportive activities, isolation from social, economic and cultural activities and limitation of basic rights that are standard for other individuals (Council of the European Union, 2004, p. 8).

It is seen that the notion of social exclusion is evaluated together with the notion of isolation mentioned together with the poverty and the notion of poverty of the EU in the report. Social exclusion is defined as the process which drifts some individuals out of the society as a result of the discrimination and keeps them back from the advantages of lifelong education and basic abilities and prevents them from taking part in social activities. As a result of this whole process, individuals are getting away from having a job, education, income and social network and activities and power and a decision mechanism (Council of the European Union, 2004, p. 8).

The individuals who live in European Union countries have a different perception of poverty. In a study made in 2010, 26 percent of the people define poverty as the resources being as limited as to prevent them from participating in the social and economic activities of the society they live in. 17 percent of them define poverty as not having the basic materials needed to keep living. 24 percent define poverty as charity or dependence on the public relief. Nearly 75 percent of the people who participated in the same study state that the poverty is common in their countries. Unemployment (%56) and old age (%42) are seen as the most important reasons of the poverty. These are followed by low education and skill level, disability and long-termed illnesses. Financial and social exclusion are seen as results of the poverty (European Commission, 2010, pp. 9-35).

EU POLICIES FOR POVERTY AND SOCIAL EXCLUSION

Issues of poverty and social exclusion in the EU which predicts an integration founded on economic basics are not among Union's primary and common issues but were seen among social politics practices. Thus particularly in the first days of the Union, the anticipation that a successful economic growth and integration would bring the solution to many social problems like social exclusion and poverty was prevalence. Although a common policy was not determined, the understanding to implement independent practices in the national level was prevalence. However, increasing unemployment and the problems it brought together caused to understand that the practices implemented in the national level on the issues of social exclusion and poverty which were important fields of social policy would not be enough (Sapancali, 2005, p. 60). It is seen in the Treaty of Rome with which the foundation of the Union was formed that social policy arrangements towards adaptation of immigrant laborers and laborer movements that could only evaluate social policy practices as a tool of economic integration were made. Poverty and social exclusion only came up in the European Union with the European Social Charter published in 1961. The article stating that all the individuals have the right to be protected against poverty and social exclusion was added to the European Social Charter which was republished with some amendments in 1996. With this, the aim was to take precautions for individuals and their families who live in the condition of social

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exclusion and poverty against particularly sheltering, vocational training, education, access to social and cultural activities and health services (Council of Europe, 1996, p. 17).

But the precautions were evaluated within the frame of primarily the issue of unemployment as a product of the welfare understanding based on employment rather than social relief that would directly eliminate the negativities the individual experience. Within this scope, the importance of struggling with social exclusion was emphasized in the Community Charter of Fundamental Social Rights of Workers published in 1989 pursuant to European Social Model (Community Charter of Fundamental, 1989, p. 1).

European Commission started to take an important part in spreading the notion of social exclusion and poverty after late 1980s. Struggling with poverty and social exclusion has become a fundamental goal in national policies and European Social Policy. Social exclusion and poverty started to be evaluated as one of the important issues among the research programs of Europe in this period. "Combating Social Exclusion" report was published in 1989-1994 as a result of the researches made in this context. With this report, it was emphasized that poverty was not only materialistic neediness but also exclusion from rights, benefits and opportunities accepted as a standard for modern society (Harveys, 1994, p. 6).

However major practices were not put into use during 1980s. The issues of poverty and social exclusion started to have an important priority among social policy practices after early 1990s in the EU. It was emphasized with the Maastricht Treaty signed in 1992 that member countries needed to determine their objectives to struggle with social exclusion and social exclusion took place in the official documents of the Union (Maastricht Treaty, 1992, p. 37). Within this scope, the importance of the phenomenon of social exclusion in the social policy was presented in the Green Paper published by European Commission in 1993. It is emphasized in this paper that an individual can isolate himself from the society as a result of the condition he is in because of the injustices in terms of sharing the welfare by touching on social injustice and that this situation could lead to racist ideologies, ethnocentrism and politic and social extremism. The reduction of inequalities in struggling with social exclusion and encouraging participation in labor market were touched on in the White Paper named "Growth, Competitiveness and Employment" which was published at the same period (Bildirici, 2011, p. 30). The struggle against social exclusion and poverty took place as one of the main objectives of the EU in the Amsterdam Treaty which was signed on 1997. In order to struggle with social exclusion, modernist approaches, information exchange, taking advantage of good examples and for encouraging the policies of member states, the tasks of EU institutions were extended (Treaty of Amsterdam, 1997, p. 35).

It is possible to say that after 2000s there has been a turning point in the social policies of the EU. It was emphasized in the Lisbon European Council organized in 2000 that it was inevitable to compromise on new objectives and programs for the Union to experience a healthy transformation in the direction of improvements in information technologies and globalization. One of the most important problems to emerge at this point was reconstruction of European Social Model within the frame of this transformation in a way to react to problems that emerge at this point and moreover the social exclusion (Cakar, 2007, p. 90). It was emphasized within this scope that it was unacceptable for many people in the Union to live below the poverty line and in social exclusion conditions and that the most important protection against Social exclusion was employment. In was decided in the Lisbon European Council to take measures to make welfare state practices applicable in order to improve social exclusion and poverty understanding in the context of Europe, to modernize the European Social Model within the next decade by struggling social exclusion and investing in humans (European Council, 2000).

The struggle with social exclusion was determined as one of the six objectives of the social agenda of EU in the Nice European Council organized in 2000. It was decided that the advantages of the active

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welfare state practices accepted in Lisbon to struggle with poverty and social exclusion would continue to be taken. It was decided that National Action Plan on Social Exclusion be presented to be implemented in order to struggle with social exclusion and poverty by setting specific objectives out and having regard to local, regional and national differences in the Council (www.consilium.europa.eu).

Despite all these improvements, one of the most substantial practices put forth in the struggle with social exclusion and poverty in the EU is the European Anti-Poverty Network (EAPN). EAPN was put into practice as a reflection of the sensitiveness shown in social rapprochement by non-governmental organizations (NGOs) in early 1990s when issues of poverty and social exclusion started to be on the agenda of EU. It was established in 1990 with the decision taken in Anti-Poverty Conference in 1989. This network created by 200 NGOs gathering together included anti-poverty networks of 11 countries. Today, it is the biggest organization of Europe that struggles against poverty and social exclusion and covers 29 national networks and 18 European Organizations. The mission of the organization is to encourage and support practices towards eliminating poverty and social exclusion, to create awareness about poverty and social exclusion, to support individuals who live in poverty and social exclusion and to carry out lobby activities (www.eapn.eu).

EU 2020 OBJECTIVES AND SOCIAL EXCLUSION

EU 2020 Strategy was shaped under the shadow of failure of the objectives to healthily transform the Union in the direction of improvements in information technologies and globalization set forth for the next decade in the Treaty of Lisbon as a result of the economic crisis recently experienced. It was hoped that the damage the crisis made on the social and economic life would be repaired by setting forth a new decade and that it would be an opportunity for a strong economy.

Despite many decisions on the issues of poverty and social exclusion, it was revealed in the Evaluation Document in the Lisbon Treaty published in 2010 that the EU could not reach the desired level. It is emphasized that increasing employment rate is not successful enough in preventing poverty, and it is stated that some groups are devoid of services that provide opportunities of equality and in some member countries women and children poverty rate is too high (European Commission, 2010b, pp. 3-6) The fact that over 80 million people living in this rich geography live below the poverty line and they cannot access to employment, education, shelter, social and economic services creates an opposite image to principles of solidarity and integration among member nations, gender equality, high living standards which are regarded as basic responsibilities of the Union by the European Social Charter (Parlak & Aykac, 2004, p. 2).

It is seen in 2010, with the effects of the economic crisis that nearly 80 million people, %16,5 percent of the total population in the EU, are living below the poverty line in 2010. More than half of these comprise of women and children. On the other hand, the young, immigrants and those who have low skill levels generally work in temporary and low-wage jobs, thus they are the most affected one from an increase in unemployment. In particular 1 in 5 young is unemployed. The unemployment rate in the Union is more than %11. Also, 10 percent of the working young is living in poverty and 8 percent of all workers are materially poor. This rate is rising up to 30 percent in relatively poorer countries. The risk of poverty for the unemployed multiplied by eight by rising to 44 percent from 33 in proportion to employed since the 2005. This also triggers social exclusion, and poverty and social exclusion go head to head (European Commission, 2010c, pp. 2-4).

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This major unemployment and poverty resulting from the economic crisis was accepted as a turning point in that they set forth the important problems within the Union. In this direction, EU 2020 Objectives were explained under topics of "European Strategy for Smart, Sustainable and Inclusive Growth" in the opening speech in March 3rd, by the President of the European Commission in 2010. In this report, it was stated that the economic crisis reversed the positive improvements achieved in the previous years in employment and growth with its results. In this scope, it is stated that GDP decreased by 4 percent averagely within the Union countries, that debt ratio increased to 80 percent of the GDP from 60 percent, that nearly 23 million people are unemployed and unemployment rate increased from 7,1 percent to 10 percent, that a major decline was seen in industrial production and it reached to levels of 1990s. On the other hand, it is assessed that this situation affects the growth potential of the Union adversely and budget deficit reached to 6,5 percent in EU overall (European Commission, 2014, pp. 5-7).

These objectives were set out in the EU 2020 Strategy in order to eliminate all these negativities within the next decade,

- Increasing employment rate to 75 percent from 69 in the active population of 20-64 age range,
- Sparing 3 percent of GDP for R&D,
- Reducing greenhouse gas emission by 20 percent based on 1990, increasing the rate of renewable energy in the total energy consumption to 20 percent, saving 20 percent energy,
- Reducing the rate of dropping out early from 15 percent to 10, increasing 30-34 age college graduate rate in the total population from 31 to 40 percent,
- Reducing the rate of those living below the poverty line in EU by 25 percent by saving 20 million people from social exclusion and poverty.

In fact, the objectives aimed by the report on social exclusion, poverty and employment issues are problems that were aimed since the Lisbon Strategy but not solved and got even worse after the economic crisis. Approximately 116 million individuals representing 23 percent of the total population in the EU are known to be facing the risk of social exclusion. Most of these compose of children, old persons, lonely women, lonely parents, low-skilled persons, the unemployed, inactive individuals of working age, those living in rural areas, immigrants and some ethnic minorities like Romans. The report aims to save 20 million citizens within the Union from the risk of poverty and social exclusion within ten years (European Commission, 2013, p. 5).

In order to achieve this objective, five practices are foreseen to be implemented. These are, ensuring that practices in such issues as labor market, minimum income support, health, education and sheltering spread to all politic practices, utilizing Union funds in a better way to support social inclusion, basing new practices in social policy on strong evidences as to whether they will be useful or not before bringing them into action, increasing cooperation with non-governmental organizations and politic coordination among member nations of the Union. (http://ec.europa.eu).

In order to reach the unemployment target, increasing reliability and flexibility of the labor market (covered flexibility), equipping individuals with accurate skills for the job and ensuring that this is continuous, providing better working conditions and increasing business quality and improving employment conditions are anticipated (http://ec.europa.eu).

It is actually known that individuals who are reckoned to be in the risk of poverty and social exclusion are also facing the risk of unemployment. For this reason, the most concrete steps in objectives of

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eliminating poverty and social exclusion of the EU 2020 Strategy are the objectives towards reducing unemployment. Approximately 26 million of the population that is in the working age and lives in EU countries is unemployed. Targeted practices to struggle with unemployment in the direction of EU 2020 objectives are supporting the free movement of workers and their families in EU countries, prevention of gender discrimination, increasing measures of occupational health and safety in the workplaces and ensuring that workers are well informed and counseled by their employers (European Commission, 2013, p. 3).

A target was determined for each one of the member states with the EU 2020 Strategy and member countries are expected to report the progress they make in policy priorities. Thus, it is targeted that EU has information about the overall situation and decides on necessary actions to be taken. (Table 1)

THE NOTION OF POVERTY AND SOCIAL EXCLUSION IN TURKEY

Poverty was not seen as a responsibility of the state in Turkey for many years and was evaluated as a phenomenon that could be overcome by being in traditional solidarity. Nominal social aids were made via various institutions in a limited way and social solidarity was brought into the forefront rather than an institutional understanding of struggling with poverty. In this context, it is hard to talk about a policy to struggle with poverty stipulated by governments until 1980s. Social damages resulting from economic crises experienced after the late 1980s made poverty more apparent to governments and non-governmental organizations. However the effect of mass communication should not be ignored in the improvement of appearance (Gundogan, 2008, p. 52).

The issue of social exclusion is a matter for Turkey which was only recognized within the context of EU adaptation process. In this context, in the Ninth Five-Year Development Plan, the notion of social inclusion is mentioned, it is stated that the preparations started for Social Inclusion Document within the scope of Community Action Plan to Combat Social Exclusion within the EU adaptation process and it is targeted that measures which will contribute to the participation of risk groups to economic and social life for struggling with social exclusion are taken.

Poverty estimations in Turkey are based on studies made by Turkish Statistical Institute. Turkish Statistical Institute studies poverty under two categories as "absolute" and "relative" poverty. Absolute poverty is defined as *"the minimum consumption level needed by an individual or a family to keep on living physically"*. Absolute poverty estimation is made by dividing the monthly consumption expenditures by the equivalent adults living inside the family. If the consumption expenditure per capita in the family is lower than the hunger limit, that family and its individuals are reckoned as "too poor". Households that have lower consumption expenditure per capita than the poverty line which composes of components other than food are reckoned as "poor". Relative poverty is defined as the situation in which the individuals are below the average welfare level of the society. 50 percent of the median household consumption expenditure per capita forms the relative poverty line. Turkish Statistical Institute, to be used in international comparisons, defines those who have lower consumption expenditure per capita than 1 Dollar, 2,15 Dollars and 4 Dollars daily per person according to the purchasing power parity as poor (TUIK, 2008: 34-38). Within this framework, as of 2011, relative poverty rate in Turkey is 22,6 percent and 2,8 percent has lower income than 4,3 Dollar per day.

The notion of struggling with poverty and social exclusion in Turkey was patronized by an understanding that an economic development process which will increase employment will eliminate this problem

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Table 1. EU 2020 targets employment and poverty and social exclusion

	Employment rate 20-64%				People at risk of poverty or social exclusion (1000)					
	2010	**2011**	**2012**	**2013**	**Target**	**2010**	**2011**	**2012**	**2013**	**Target**
EU 28					75	118085	121543	124232		20000
Belgium	67.6	67.3	67.2	67.2	73,2	2235	2271	2356		380
Bulgaria	65.4	62.9	63.0	63.5	76	3719	3693	3621		260
Czech Republic	70.4	70.9	71.5	72.5	75	1495	1598	1580		30
Denmark	75.8	75.7	75.4	75.6	80	1007	1039	1057		22
Germany	74.9	76.3	76.7	77.1	77	15962	16074	15909		330
Estonia	66.7	70.4	72.1	73.3	76	289	307	311		49,5
Ireland	64.6	63.8	63.7	65.5	69	1220	1319	1319		186
Greece	64.0	59.9	55.3	53.2	70	3031	3403	3795		450
Spain	62.5	61.6	59.3	58.2	74	12316	12791	13090		1500
France	69.2	69.2	69.4	69.5	75	11712	11840	11760		1600
Croatia	58.7	57.0	55.4	53.9	59	1304	1372	1370		-
Italy	61.1	61.2	61.0	59.8	67	14757	17112	18194		2200
Cyprus	75.0	73.4	70.2	67.1	75	202	207	234		27
Latvia	65.0	66.3	68.1	69.7	73	798	821	731	702	121
Lithuania	64.3	66.9	68.5	69.9	72.8	1068	1011	975		170
Luxembourg	70.7	70.1	71.4	71.1	73	83	84	95		-
Hungary	60.4	60.7	62.1	63.2	75	2948	3051	3188	3285	450
Malta	60.1	61.5	63.1	64.9	62.9	86	90	94		6,56
Netherlands	76.8	77.0	77.2	76.5	80	2483	2598	2492		100
Austria	74.9	75.2	75.6	75.5	77	1373	1407	1542[b]		235
Poland	64.3	64.5	64.7	64.9	71	10409	10196	10128		1500
Portugal	70.5	69.1	66.5	65.6	75	2693	2601	2665		200
Romania	63.3	62.8	63.8	63.9	70	8890	8630	8907		580
Slovenia	70.3	68.4	68.3	67.2	75	366	386	392		40
Slovakia	64.6	65.0	65.1	65.0	72	1118	1112	1109		170
Finland	73.0	73.8	74.0	73.3	78	890	949	916	854	150
Sweden	78.1	79.4	79.4	79.8	80	1418	1538	1519		-
United Kingdom	73.6	73.6	74.2	74.9	-	14211	14044	15078		-
Turkey	50	52,0	52,8	53,4	-	48934 (2006)				-

Reference: Eurostat

by itself. However it did not take long to understand that poverty could not be eliminated with this just like economic development alone would not solve the unemployment problem that special regulations had to be made in order to struggle with poverty just like the employment policies.

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TENTH FIVE-YEAR DEVELOPMENT PLAN AND 2023 VISION IN THE CONTEXT OF EU 2020 STRATEGY

Turkey's determination to be a full member of the EU has been going on for many years. It is known that many adjustment policies in the perspective of being a full member were brought into action with this in mind. This situation is a result of the fact that full membership is only possible with substantial similitude to member states in politic, social and legal aspects. It is assessed that if this similitude is not achieved Turkey could not be a full member of the Union, or even if it becomes one, the membership would be a painful one within the Union. Thus, it is inevitable that the improvements anticipated by the Union for member states within the context of EU 2020 strategy would apply to Turkey, too. Adaptation to the determined objectives is one of the major milestones of the membership process for Turkey.

In this context, the determination of how similar Turkey is to the member states of the Union is crucial in determining the measures to be taken. The first important data in the self-evaluation of Turkey's own condition of poverty and social exclusion are Laeken Indicators which were set down in 2001 with the decision of Stockholm European Council with the aim of watching objectives determined as part of Lisbon 2010 Strategy.

In order to make comparisons between Turkey and member states, it is primarily needed to determine to which member states Turkey has similarities. It was established in the studies made in this direction that Turkey has similar socio-economic characteristics with member states like Greece, Portugal, Spain, Hungary, Romania, Poland and Czech Republic. (Aykin & Korkmaz, 2014, p. 8; Cakar, 2007, p. 90).

When Turkey's poverty and social exclusion risks are evaluated within the scope of Laeken Indicators, first of all it is seen that the poverty average of Turkey is 26 percent which is 16 percent in the Union. This rate is 21 percent in Greece, 20 percent in Portugal and Italy. While in member states 42 percent of the unemployed are under the risk of poverty, this rate is 31 percent in Turkey. When examined from a point of working poverty, Turkey, with its 23 percent, is far more above 8 percent which is the EU average. This rate is 14 percent in Greece and Romania and 12 percent in Portugal. On the other hand, social protection systems within the scope of the European Social Model need to be protective for individuals against the risks they are under. When considered from this point of view, poverty rate which was 30 percent before the social transfers scales down, almost by not changing at all, to 26 percent after the social transfers. This rate scales down from 40 percent in EU overall to 18 percent, from 41 percent to 21 percent in Greece, from 37 percent to 13 percent in Bulgaria and from 41 percent to 18 percent in Romania. It can be said that the most important cause of this is the fact that the social protection system is largely dependent on employment and that there is no systematical structure. When the data related to the income distribution is reviewed, it is seen that the situation is not so bright for Turkey. While the rate of total income of the population's 20 percent who have the highest income to the total income of the population's 20 percent who have the least income is 4,5 times in EU, it is 10 times in Turkey (Cakar, 2007, pp. 93-94).

Another study showing the adaptation status of Turkey to member states is the study that aims to determine the situation of Turkey and member states, as part of clustering analysis, in reaching EU 2020 Strategy (Aykin & Korkmaz, 2014, p. 8). In this study, Turkey, Malta, Cyprus, Portugal and Spain are in the same cluster. As a result of the analysis made, it was determined that Turkey is mostly similar to Malta in regard to the EU 2020 objectives and it is also close to the other members in the cluster. Therefore, it is evaluated that the recommended resolutions of the Council for Malta could shed light for Turkey.

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EU 2020 objectives are crucial for Turkey to achieve Although it is not in the scope of membership negotiations, it is inevitable to achieve these objectives for Turkey to be a full member. In this context, political will set forth by Turkey in the last decade is crucial for achieving these objectives. The most important objectives set forth in this direction are present in Tenth Five-Year Development Plan (TFDP) and 2023 Vision of Justice and Development Party.

Crucial objectives are set forth in the TFDP in the issues of poverty and social exclusion. Resolution of absolute poverty problem is the most important goal among these objectives. Economic growth and increasing employment are put forth as the resolution method. Thus, it is aimed to focus solely on relative poverty just like in the developed countries. On the other hand, it is aimed to boost the living standards of those living under the risk of poverty and social exclusion by removing the barriers in front of their participation in social and economic life, to enhance income distribution and thus reducing poverty. In order to do this, it is aimed to support the families receiving social services and aid with an understanding focused on employment. In this context, it is aimed to reduce relative poverty to 19 percent, reduce population who have income below 4,3 Dollars per day per capita to 1 percent and reduce Gini coefficient to 0,36 percent until 2018. In order to achieve all these objectives, the policy implementations were determined to increase the effect of social transfers and taxes in reducing poverty and inequality of income distribution, to increase opportunity equality in accessing public resources like education, ad hoc to increase the participation of civil society and local government and to increase employment of the poor (Ministry of Development, 2013, pp. 46-48).

It is aimed, in the plan, to achieve 5,5 percent annual growth, to reduce unemployment to 7,2 percent by providing employment to 4 million people and 16 thousand dollars income per capita with the anticipation that poverty and social exclusion will be eliminated with economic growth.

The other crucial goal set forth in struggling with poverty and social exclusion is the 2020 Vision by Justice and Development purporting the objectives which are wanted to be achieved in economic and social life by 100th anniversary of the foundation of Turkish Republic. This strategy is concurrently one of the most prolonged and assertive projects of development set forth so far in Turkey. It is aimed for Turkey to be one of the most improved economies with this project. Main goal of 2023 Vision project in struggling with poverty and social exclusion is solving this problem by means of increasing employment depending on economic growth. When objectives set forth with this aim are examined, it is aimed to reduce the unemployment rate to 5 percent by increasing employment of women and participation of them into workforce. In order to achieve this, it is aimed to strengthen the relation of employment and education, to support policies towards starting a business, to make career plans towards acquiring a profession by favor of vocational and job counselors and to elasticated labor market (Table 2).

It is also seen that objectives that can be reckoned as other than to increase employment in struggling with social exclusion and poverty were determined. The most important one of these objectives is to reduce the population rate below poverty line to 10 percent. It is also aimed to not have any individual who has income below 2,5 Dollars per day until 2015 and 4,3 Dollars until 2019. It is also aimed to provide minimum income support to poor families, to provide employment to the disabled who can work, to take measures in reducing social exclusion and poverty in issues of sheltering and education.

However both the TFDP and 2023 Vision are criticized for the feasibility of their objectives. These criticisms intersect at whether the growth will bring development as well as the feasibility of the economic growth figures targeted. According to those who criticize, economy policies alone will not be enough to put Turkey in the league of developed economies. *"The individuals need to improve their welfare,*

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Table 2. 2023 Vision objectives towards eliminating poverty and social exclusion

Re-determining vocational schools and vocational education centers according to the needs of the industry to prevent unemployment.
Providing employment to every disabled person who is able to work.
Not taking the social security support contribution for three years in first employments to increase employment.
Promoting policies for the young to start a business to increase youth employment.
Not having any individual who has income below 2,5 Dollars per day until 2015 and below 4,3 Dollars per day until 2019.
Making career studies for the unemployed to provide them with a profession by favor of vocational and job counselors.
Reducing population who are below poverty line which includes food and non-food expenditures to 10 percent until 2023.
Supporting poor families enough to save them from poverty .
Reducing unemployment rate to 5 percent and increasing employment rate to 50 percent.
Achieving an economic growth of 2 trillion Dollars.
Providing 25 thousand Dollars income per capita.
Increasing woman workforce to 40 percent and employment of them to 38 percent.
Encouraging girls' attendance to schools to provide equality of opportunities in education.
To combat unemployment, strengthening the relation between education and employment, elasticizing the labor market, strengthening the relation between employment and social protection.
Providing employment for 200 thousand people annually for five years.
Providing minimum income support to every family having regard to criteria such as population, poverty state, old age and disabled state and number of children.
Building 100.000 dwelling houses for the poor and disadvantageous groups.

References: Prepared by writer from Justice and Development Party's 2023 Vision, Politics, Society, World.

freedom, health, education, to provide equality of opportunities and for these, to make social and politic reforms required (Aydinonat, 2012, p. 1). From this aspect, it is claimed that economic growth will not occur without averting social exclusion and poverty.

Therefore, the issue which is as important as economic reforms is the need to make reforms in issues of education and employment, especially employment of women. As a matter of fact, it is claimed that the goal to increase women employment to 38 percent until 2023 need to be revised to 50 percent, otherwise the expected growth will not occur (ISO, 2014, p. 2). What's more important is the fact that educated workforce is playing a key role for economic growth, that the developed countries have advanced technologies in manufacturing industry and thus that the developing countries need to have a well-educated workforce to adapt these technologies. It is claimed that economic growth achieved by shifting the employment from agriculture to manufacturing like in most of the developing countries could only be achieved by investing in human capital from now on (Aydinonat, 2012, p. 1).

On the other hand, the fact that TFDP and 2023 Vision set forth parallel and inter compatible objectives is evaluated as a positive politic improvement in contradistinction to other plans in terms of feasibility of the objectives (Caglar & Acar, 2013, p. 6).

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CONCLUSION

It is seen that Turkey achieved a major economic growth particularly in the last ten years. However it is hard to say that this growth increased social welfare evenly. This, being a result of the inequality of the income distribution, is also one of the main reasons of poverty and social exclusion. It is also important in that it shows that the notion that economic growth will reduce poverty is groundless. Struggling with social exclusion and poverty requires policies to be implemented in this direction. Turkey needs to carry into effect much more substantial practices towards bringing individuals and communities who are exposed to social exclusion in social and economic life and especially policies towards improving income distribution.

It is also a requirement of social and economic integration to struggle with social exclusion and poverty in the perspective of full membership of Turkey to EU. When compared to member states of the EU in this context, it is seen that Turkey needs to move much more forward. It is seen that Turkey falls much behind in especially poverty, inequality of income distribution and effects of the social transfers to reduce poverty than member states of the EU which have similar socio-economic indicators. In this context, although achieving EU 2020 Strategy objectives does not bring obligations for Turkey, it is important in providing the welfare its citizens deserve from the economic growth and in smooth integration of Turkey. At this point, Turkey needs to carry out policy practices towards achieving EU 2020 Strategy objectives which were determined for countries which have similar socio-economic development level like Malta, Greece and Spain.

In this context, TFDP and Vision 2023 are important in that they are the most important political objectives set forth so far by Turkey. However it should not be ignored that these plans alone cannot achieve the economic growth anticipated to reduce poverty and social exclusion. Therefore, substantial practices towards reducing inequalities of income distribution and social aids and increasing the employment foremost need to be put into practice. In this context, EU 2020 Strategy is evaluated to be a good guiding light.

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KEY TERMS AND DEFINITIONS

Absolute Poverty: The case in which an individual can only meet his basic needs simply to go on living.

European Social Charter: The European Social Charter is a Council of Europe treaty which guarantees social and economic human rights. It was adopted in 1961 and revised in 1996.

Gender: Refers to the socially constructed roles, behaviors, activities, and attributes that a given society considers appropriate for men and women.

Poverty Line: A level of personal or family income below which one is classified as poor according to governmental standards.

Social Inclusion: The provision of certain rights to all individuals and groups in society, such as employment, adequate housing, health care, education and training, etc.

Social Integration: The set of arrangements adopted by the society and the group to accept a new member among them, and to facilitate this acceptance process.

Welfare State: A concept of government in which the state plays a key role in the protection and promotion of the economic and social well-being of its citizens.

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Chapter 3
A General View of Poverty in Turkey as an Issue for Social Work in the Light of Behavioral Finance and Game Theory

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ABSTRACT

In this chapter, the authors define poverty in general terms before including statistics for a detailed, Turkey-specific discussion. Once the authors elaborate on the causes of poverty, they introduce behavioural economics and game theory, the fundamental aim of the chapter being to examine how these two theories affect perceptions of poverty and the struggle against poverty. Another issue that enters into the scope of this chapter is to what extent the poor themselves are responsible for their own poverty. On this question, game theory and behavioural economics can potentially be marshalled against the poor. However, we also argue that, by using a different approach, both theories can be interpreted in the poor's favour. We examine the double-sided nature of these two theories in detail and stress how important it is in the study of poverty to consider the disadvantageous position in which the poor find themselves.

INTRODUCTION

Unfortunately, at the present time, poverty is no less widespread than the two extremely up-to-date scientific theories that we shall be using in this study. Poverty is no longer a problem experienced only in the less developed regions of the world. Today, in many developed countries, poverty rates have started to reach alarming levels. For example, although the EU is—generally speaking—a prosperous region, there too poverty is still at a relatively high level: approximately one out of every seven people (seventy-two

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million people in total) is at risk of poverty or relatively poor, and the poverty rate among disadvantaged groups such as the elderly, the disabled and children is particularly high (Gündoğan, 2008, p. 45).

Poverty has an influence on almost everyone, not only through its actual presence, but also through its prevalence in the world of human emotion. Indeed, those who have never had a direct encounter with poverty in their own life or environment are nonetheless aware of it from portrayals in different media, ranging from stories to films.

According to the calculations of the Turkish Statistical Institute (TÜİK), in Turkey in 2007, approximately 0.54% of the population was living below the starvation line, which only includes food expenses, while 18.56% was living below the poverty line, which includes both food and non-food expenses. When we take the figure of 70 586 000, obtained in the 2007 census, to be the population of Turkey, then according to TÜİK's most recent study on poverty, there are 380 000 people in Turkey living below the starvation line (T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, pp. 3-4).

Although they shall be dealt with in more detail below, suffice it to say that both behavioral finance and game theory examine people's decision-making processes. While behavioral finance considers the psychological factors that influence decisions, game theory tries to determine the correct strategies from a logical angle. Based on the assumption that both theories complement each other, they can be dealt with together. At the same time, like all people, the poor, in their roles of making the decisions that influence their own situation, also come within the scope of this joint assessment.

BACKGROUND

Poverty

The first difficulty encountered in a scientific treatment of poverty is that there is no agreed-upon definition. Briefly, it can be described as a state of deprivation wherein the basic needs necessary for survival are not met. If we flesh out the idea of poverty, paying attention to the emotional intensity it contains, then poverty is hunger, poverty is not having a place to shelter, poverty is being ill and not being able to go to the doctor. Poverty is not being able to go to school and not knowing how to read or write. Poverty is not having a job; poverty is looking at the future in fear and living from day to day. Poverty is children dying because there is no clean drinking water. Poverty is weakness; poverty is not having a voice; poverty is not being able to take part in decision-making processes; poverty is not having a representative or having nobody to represent you. It is for these reasons that poverty really does pose a serious threat and a major risk to survival (T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, p. 233).

The prevailing theory in the definition and measurement of poverty is the absolute poverty line (threshold) theory, which has roots in studies carried out in England towards the end of the nineteenth century and is based on income/expenditure criteria. According to this theory, poverty is generally defined as "not possessing sufficient resources to meet one's needs" or very similarly, "remaining below the absolute minimum welfare level" and "not being able to meet the need for goods and services necessary in order to stay alive" (Alagh 1992, p. 109).

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The Causes of Poverty

We can suggest some very basic explanations for the causes of poverty or about why some people come to need the help of others in order to survive. Just as these causes can be related to personal characteristics, such as skills and abilities, concepts of discipline and responsibility, or levels of frugality, they can also depend on structural factors outside of the individual's own direct control (T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, p. 234).

Overpopulation, the unfair distribution of economic resources, inability to afford high standards of living, lack of education and employment possibilities, rapid destruction of the environment, certain economic and demographic trends etc. are among the primary factors that can lead to poverty. In these circumstances, can we blame the poor for their own poverty? Could their poverty not be caused by the development programs that governments follow? Can we gloss over the role of globalization as one of the causes of poverty and inequality? For instance, we certainly cannot ignore that behind the interdependency that, in tandem with globalization, is steadily increasing throughout the world, there are global decisions, policies and practices, generally determined by the rich and powerful. It seems very difficult to bring under control and eradicate the basic factors, such as these, that can be numbered among the causes of poverty. In most cases, the causes of poverty interact with each other and with the consequences of poverty as well. As a result, factors that push people into poverty at the same time also, generally speaking, produce conditions whereby the same people are unable to escape from poverty (T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, pp. 1-2).

The Culture of Poverty

Another important concept related to poverty is the "culture of poverty", first formulated in the 1960s by Oscar Lewis(as cited in Theories of Poverty: The culture of poverty, n.d.). Lewis claimed that the culture of poverty was "a way of life handed on from generation to generation along family lines." The people in this culture are marginalized; they consider themselves helpless, powerless and lower class; they live only with an understanding of living from day to day, with no thought of the future. They are fatalistic; there are high divorce rates in their families; women and children are abandoned; the heads of the family are generally women. People who internalize the culture of poverty do not participate in social or political life; they do not join political parties; they have only limited contact with institutions such as banks and hospitals. According to Lewis, the culture of poverty, inasmuch as it affects children, perpetuates poverty. Children in slum areas internalize these behavioral codes when they are six or seven years old and for the rest of their lives do not make the effort to change them (Theories of Poverty: The culture of poverty, n.d.).

Lewis' concept can be summed up as "a subculture of people living in poverty who respond to their lack of resources with a distinct set of negative beliefs, attitudes, and behaviors" (Hill&Gaines, 2007).. As for the other basic characteristics of the culture of poverty, they are (Lewis as cited in Erdem, 2003):

- Those living in the culture of poverty do not have a particularly healthy relationship with social institutions.
- The poor are not members of trades unions or political parties. In other words, their cooperative and organizational skills are very weak. Because they are not very familiar with politics, they can-

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not be used in movements that oppose the system. They have low literacy rates and a low demand for education. They rarely frequent banks, hospitals, department stores, museums or art galleries.

- They live in unhealthy dwellings in slum neighborhoods. Many houses only have one bedroom.
- Their families tend to be large. There is no period of childhood in the family. Children tend to be initiated into sex at an early age. There is a high incidence of cohabitation. Husbands very often abandon their children and spouses.
- On the individual level, there is a high incidence of feelings of exclusion from society, feelings of helplessness, feelings of inferiority, weak ego structure, no impulse control, living for today and not really thinking about tomorrow, resignation and fatalism, and widespread belief in male superiority.

Lewis blamed poverty for creating a subculture within itself and accused the poor of being scathing, reproachful and scornful (Erdoğan, 2011a). However, the attempt to define poverty as a culture or subculture with its own specific psychopathology actually has a result that is tantamount to concealing the structural causes that underlie it (Bilen&Şan as cited in T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, p. 14).

Poverty in Turkey

Examining income distribution and the dimensions of poverty in Turkey, we cannot speak of the existence of a balanced income distribution. For 2004-2005, the top 20% of the population received close to half of the total income in the country, while the bottom 20% received only 6%. The top 40% of the population received more than two thirds of total income (T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, p. 18).

According to the United Nations Development Programme (UNDP) Human Development Index, considered as one of the indicators of a country's poverty, while Turkey was 69th out of 174 countries in 1995, it had fallen to 86th in 1999 and 84th in 2005 (UNDP, 2007). The concept of human poverty set forth in the UNDP's 1997 Human Development Report is based on the thesis that, in order to meet basic needs, as well as financial opportunities, some economic, social and cultural opportunities are also required. In other words, it takes as its starting point the fact that poverty is multi-dimensional, encompassing more than mere financial needs (T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, pp. 18-19). Devised with this idea in mind, the human poverty index measures deprivation arising in human development, such as low life expectancy and lack of educational services or limited access to private and public resources (Aktan&Vural as cited in T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, p. 19). According to this, in terms of the indicators measured, we can say that over a ten-year period, Turkey has witnessed a change below the world average and more limited development compared to other countries (T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, p. 19). Based the 2012 data and method, Turkey was 90th out of 187 countries on the 2011 Human Development Index (2013 İnsani gelişme raporu. Güney'in yükselişi: Farklılıklar dünyasında insani gelişme. 2013 İnsani gelişme raporu'ndaki muhtelif göstergelerle ilgili açıklama notu, n.d.).

In 2005, there were 623 000 people living below the food poverty line in Turkey. Approximately 20% of the population eked out a living below the food and non-food poverty lines. When we take a poverty line of $2.15 per person per day, the number of poor rises to over one million, while at $4.30,

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the figure specified for the group of countries that includes Turkey, it is approximately twelve million (T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, p. 20).

The latest data used to calculate the Multidimensional Poverty Index (MPI) for Turkey were collected in 2003. While 6.6% of the population lives in multidimensional poverty, a further 7.7% (by the MPI 'reckoning') are at risk of multidimensional poverty. The intensity of deprivation in Turkey, in other words the proportion of indicators in which people living in multidimensional poverty are deprived, is 42% (2013 İnsani gelişme raporu. Güney'in yükselişi: Farklılıklar dünyasında insani gelişme. 2013 İnsani gelişme raporu'ndaki muhtelif göstergelerle ilgili açıklama notu, n.d.).

Taken from a historical perspective, in Turkey, the poor have been helped to a large extent by religious institutions and waqfs and/or by private philanthropy. Until the mid-1980s and even today, successive Turkish governments have tended to deal with the field of welfare, or rather the way in which those in need are cared for, within traditional solidarity mechanisms (Abay as cited in T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, p. 20).

Study on the evolution of poverty has intensified in Turkey; this was especially so in the 1990s. One of the most salient reasons for this is that while national income has increased, the income gap between the middle and upper classes, on the one hand, and the lower class, on the other, has broadened in parallel with it. This has made poverty visible in the city. Another reason is that migration from the countryside to the city has increased and the urban poor are losing their organic bonds with their village. While this process induces families to settle in the city, where they can no longer grow their own food, it also results in absolute poverty when the family experiences a loss of income due to unemployment or similar reasons (T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, p. 26).

As the result of the evolution in poverty, poor people lack the protective mechanisms that they used to have within the traditional social order. Charity for the poor and the struggle against poverty cannot be sustained on the natural reflexes of present society. The fact that people become grouped according to their incomes in residential areas in big cities has resulted in the poor having social networks, from whom they could have received support in times of need, being composed of people who, like them, are also poor and in need of help. For this reason, there is more need than before for overarching organizations that will identify poverty and make the necessary interventions.

Behavioral Finance

In 1979, in opposition to Expected Utility Theory, Daniel Kahneman and Amos Tversky developed Prospect Theory, which asserts that, due to psychological factors, people assign different probability values to gains and losses. Thus, they made a breakthrough not only in psychology but also in finance. In the same paper, they argue that when studying investment decisions, perceived risk, not expected risk, should be taken into account. Thanks to these findings, traditional finance theories that propose systematic approaches to investor decisions started to be questioned and the groundwork for studies in behavioral finance was laid (Sefil&Çilingiroğlu, 2011, p.253).

Behavioral finance was born as a discipline that points to human psychology as a potential source of the steps in the decision-making process and of market anomalies that cannot be explained by traditional finance theories. Unlike traditional finance theories, the models proposed by behavioral finance methodology make as much use as possible of parameters that feature human behaviors. This incorporates anomalies, representing economic actors' deviations from rational behavior, into the models. Research

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in the field of behavioral finance is structured around cognitive and emotional tendencies that prevent individuals from behaving rationally. Emotional tendencies are basically guided by desires to avoid loss and regret. Cognitive tendencies are formed as a result of investors seeking to create shortcuts in their decision-making processes (Sefil&Çilingiroğlu, 2011, pp. 252-255).

Among other things, the psychological carriers of value appear to be gains and losses, rather than final wealth, and diminishing sensitivity yields conflicting risk attitudes for losses and gains. People are loss averse (the loss associated with giving up a good is greater than the utility associated with obtaining it), which yields "endowment effects" and a reluctance to depart from the status quo (Kahneman&Tversky, 2000).

Also, contrary to standard fungibility assumptions, people compartmentalize wealth and spending into distinct budget categories, such as savings, rent, and -entertainment, and into separate mental accounts, such as current income, assets, and future income (Thaler, 1999). People typically show different propensities to consume from their current income (where marginal propensity to consume [MPC] is high), current assets (where it is intermediate), and future income (where it is low). In addition, people often fail to ignore sunk costs or to consider opportunity costs and have trouble predicting their future moods and tastes or learning from past experience (Kahneman&Tversky, 2000).

Standard economic-policy thinking attributes to people preferences and motivations that they often lack and ignores psychological factors that can be highly consequential. Deterrence, for example, plays a key role in the legal determination of punishment but appears to be relatively ineffective because those who violate the law often tend not to engage in the presumed cost-benefit analyses. Similarly, policies geared toward the poor are often driven by normative assumptions, rather than empirical facts, in ways that may miss the intended beneficiaries. Standard thinking naturally assumes that big effects are due to big causes and, thus, merit major intervention. If the poor are deeply hurt by their failure to have a bank account, then there must be compelling reasons for that failure. Behavioral research, on the other hand, has shown that highly consequential behaviors often are triggered by what are deemed to be minor causes (Bertrand, Mullainathan&Shafir, 2004, pp. 422-423).

To explain investor irrationality and their decision-making process, behavioral finance uses empirical evidence from cognitive psychology and the types of decision making and prejudices that appear when people form beliefs and preferences (Barberis&Thaler, 2003).

Game Theory

Game theory, which appeared slightly earlier than behavioral finance, has also been crowned with a Nobel Prize, and has received broad acceptance in the academic and intellectual fields. Game theory is based on examining the opposing tactics used by rational actors in "games" and predicting the result.

Game theory is rampant in economics. Having long ago invaded industrial organization, game-theoretic modeling is now commonplace in international, labor, macro and public finance, and it is gathering steam in development and economic history. Nor is economics alone: accounting, finance, law, marketing, political science and sociology are beginning similar experiences. Many modelers use game theory because it allows them to think like an economist when price theory does not apply. That is, game-theoretic models allow economists to study the implications of rationality, self-interest and equilibrium, both in market interactions that are modeled as games (such as where small numbers, hidden information, hidden actions or incomplete contracts are present) and in nonmarket interactions (such as between a regulator and a firm, a boss and a worker, and so on) (Gibbons,1997, p.127). Zhao

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and Zhang (n.d., p.4) state that game theory can be used in interactions where both sides select profit-maximizing strategies.

Sociologists study games on occasion (e.g., Avery; Puddephatt), but they liken social life to games with abandon. Usually such allusions serve to highlight some property or properties of the setting under study that the author can expect the average reader to already associate with games. Those properties include: that, like games, some areas of social life are rule-governed (Geertz), goal-oriented (Long), and possibly competitive in that there is some coveted reward that not everyone can possess (Bourdieu &Wacquant); that action involves discrete moves (Goffman) and perhaps something approximating alternating turns (Elias); that skilled "play" involves the use of strategies (Bourdieu; Finlay &Coverdill); that with extended play one develops an instinctive "feel for the game" (Lamaison& Bourdieu); that earlier actions constrain subsequent options for oneself and others (Slez& Martin); that a setting may demand that participants ignore external distractions (Goffman); that play is engrossing (Burawoy; Goffman); that roles are differentiated and knowingly coordinated (Mead); that rules are arbitrary, in the sense that they are based on convention rather than physical laws (Kaminski); and that, as a consequence of rules' arbitrariness, many different games are possible (Burawoy) (as cited in DiCicco-Bloom & Gibson, 2010, p. 248).

POVERTY IN THE CONTEXT OF BEHAVIORAL FINANCE AND GAME THEORY

The fact that behavioral finance explains negative situations as incorrect decisions taken by individuals may suggest that also poverty, qua negative situation, can be explained as incorrect behaviorson the part of the poor. As a typical academic example of this approach, Beaulier and Caplan (2007), in their article "Behavioral Economics and Perverse Effects of the Welfare State", have interpreted behavioral economics as a theory showing that we should not help the poor for their own good:

Yes, giving money to the poor reduces their incentive to enter the workforce, acquire experience, and eventually join the middle class through their own efforts. But this hardly shows that it makes the poor worse off! All the transfer program does is make the non-work option more attractive. If it remains less attractive than work, the poor will still opt for work. If, on the other hand, the poor decide to take the government's money and remain idle, it must be because—all things considered—it maximizes their expected lifetime utility. In otherwords, if you were to remindwelfare recipients that they are hurting their future job prospects, they could curtly respond: 'I am well-aware of that, but my welfare checks more than compensate for my loss of future income.'(Beaulier&Caplan, 2007).

The perverse effects frequently attributed to the welfare state are easy to interpret from a behavioral perspective. If people overestimate the magnitude of immediate benefits relative to more distant ones, you can actually—on net—harm them by offering them additional immediate benefits (Beaulier&Caplan, 2007).

One poor family will be better off if it takes government assistance. But its members can be worse off on balance because other families in their area participate in the same program. Their neighborhood becomes a worse place to live as the mix of local activity shifts from productive work to drug use or crime. There could also be intra-family externalities. A father willing to support his family might abandon it if the government will assume his responsibilities. The father is better off as a result of the government program, but his wife and family are worse off if they prefer the presence of a working father to a stream of government checks (Beaulier&Caplan, 2007).

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To ascribe the cause of poverty, or—according to the principles of behavioral economics—the mistakes of the poor, to the overt behaviors of individuals contains the error of seeing a social problem as the sum of the independent actions of the individuals that figure within it. Social phenomena are definitely related to the behaviors of individuals, but they are not the sum total of these behaviors. If that were so, it would be possible to solve the problem of poverty by enabling each poor person to act correctly according to the principles of behavioral economics or game theory. Studies on the struggle against poverty clearly show that this is not possible. Even if sometimes the individual mistakes of the poor are enough to explain why they are poor, the number of poor people produced by national conditions would have remained unchanged if these mistakes had not been made. In Turkey, unemployment is one of the major causes of poverty. Individual failings can be posited as the reason why an unemployed person loses his or her job or cannot find work; if the unemployed person in question is freed of these negative qualities and finds work, the employment potential of the country will not be changed: someone else will become unemployed and poor instead.

Moreover, to advocate that the poor forgo benefits because the balance of intra-familial relations will be disrupted is similar to recommending that no medicines be used because of side effects. As in all social work aimed at families, while helping the poor, experts in the field already stress the necessity of paying attention to current family relationships.

The eradication of poverty is not something that will be achieved through individual endeavors alone. It requires an economic and social crusade. For this reason, a multiple-intervention system should be used. For example, while intervening on an individual level in a poor family in areas such as helping a father or mother find work or education, it is also necessary to work with the family as a whole on the mezzo level to improve intra-familial roles and functions that have broken down because of the problem of poverty. Macro interventions can even be planned, for instance,to enable poor individuals and families to participate in social life and make use of their rights, and to bring about the equal distribution of services in society (İçağasıoğlu-Çoban, 2003, p. 201).

Miley, O'Melia, Dubois (as cited in İçağasıoğlu-Çoban, 2003, pp. 202-203) state that generalist social work is carried out in the framework of three interrelated functions: counseling, education and resource management.

As a behavioral economist, Mullainathan (2009), after noting that he is optimistic that behavioral economics can be used in the struggle against poverty, cited the poor in the south of India as an example of what behavioral economics calls "shortsightedness". This example is illuminating about how the principles of behavioral economics can be used in the course satisfying the three functions of social work.

Sugarcane is harvested once a year and paid for in one lump sum. Planting sugarcane, although it's more profitable monetarily, raises an unappealing psychological challenge. Imagine receiving your entire annual salary all at once, at the beginning of the year, and having to dole it out carefully over the course of 12 months. Meanwhile, many who own cows cite the daily income that milk provides as a primary benefit, even though cows are not as profitable as other investments. This is the far more consequential equivalent of someone purchasing the more expensive (per unit) but smaller bag of cookies to avoid the temptation of eating all of them at once. Uncertainty figures in as well: A small-business owner who does not know what she'll earn must have the willpower to save in good weeks to ride out the lean weeks, while a salaried worker knows exactly what is coming, and when(Mullainathan,2009).

Many households seek advice from financial planners and other experts, yet some households make decisions that are hard to reconcile with this advice or with any standard model. One response to this observation is to maintain the assumption that actual and ideal behavior coincide, but to consider non-

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standard behavioral models of preferences that incorporate phenomena such as loss aversion and mental accounting. An alternative response is to abandon the framework of revealed preference and to consider the possibility that households may not express their preferences optimally. This response leads to the view that behavioral finance theory describes the choices households currently make, whereas standard finance theory describes the choices that maximize household welfare, and that households can be educated to make (Campbell, 2006, p.1554).

As can be seen, behavioral economics approaches are important in the development of advice designed to help the poor use their scarce resources more efficiently. The poor, as a rule, do not have savings to invest; they can only be steeredtowards being conscious consumers if they are enabledto make effective use of their daily/weekly/monthly earnings in line with the suggestions of behavioral economics. In Turkey, as in many places in the world, the instruments of consumer-culture propaganda, primarily adverts, drive consumption beyond needs. Even fairly poor homes have televisions. One of the most widespread leisure activities in Turkish households is watching television series, which are interrupted by long commercial breaks, after the evening meal. There is no doubt that the adverts watched along with the series also act on consumer behaviors in the household. This should be taken into account in social work to stop the poor from sinking into the unreasonable consumer behaviorsidentified by behavioral economics.

The fact that the psychological interpretation used in the behavioral finance approach can be readily grasped and that the gains can be seen with simple cost-benefit calculations facilitates the use of behavioral finance in the struggle against poverty. Game theory, in contrast, has a relatively more technical structure and requires a grasp of mathematics; however, there are also approaches aimed at reducing the mathematics contained in the theory. Bernard(as cited in Swedberg, 2001, pp. 304-305), according to Swedberg, has introduced an approach that does limit the mathematical content of game theory,thus enabling it to be widely used: It is of great importance, Bernard stresses, that sociologists learn to translate sociological problems into games. Bernard's treatment is non-mathematical, and she reassures the reader that one can use game theory, just like statistics, without a full understanding of the underlying theorems. Game theory is mainly of help for making predictions, and nothing is said about the problem of verifying the results of game-theoretical analyses with the help of data (Swedberg, 2001, pp. 304-305).

When we look at poverty specifically in Turkey and in the context of game theory, we can see that the game that is the subject of the theory is playedbetween poor people and the government. In the interviews carried out in the study Cases of Poverty in Turkey (Erdoğan, 2011b), a great number of the poor said that they expected the government to help them out of their current situation. This makes it clear that in Turkey, contrary to Lewis'findings, the poor do take an interest in politics, even if this does not amount to an active role. Moreover, due to their voting potential, there is no doubt that political parties do court them.

In Turkey, the current ruling party makes effective use in its political propaganda of the work that it has done to help the poor. In the context of game theory, in such a relationship, the gain to be had by a political party is the votes that it will receive from the poor, while the poor expect their lives to get easier thanks to help that they will receive. The ruling party widely distributes food and fuel aid to the poor. Thus, one of the poor player's constant needsis metas and whenit arises. Should the ruling party lose office, there is a high possibility that this aid will be stopped. In the current state of the game, voting for the ruling party is one profitable strategy for the poor.

According to data from TÜİK's Household Budget Survey Consumption Expenditures 2009 (2011, p. 1), at 28.2%, housing and rent constitutes the biggest slice of household consumer spending. Becoming a homeowner is a major achievement for a poor person and,once acquired, his or her home remains

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his or hers forever, independently of the existence of a helping hand. The fact that in interviews, poor people who do not own their own homes indicated their wish to do so shows that they thought it more profitable to be a homeowner than to have their other needs met. However, it is understandable that a body that offers help in return for votes will not follow strategies aimed at making homeowners of the poor.After acquiring a home, a poor person is not obliged to take the position that the ruling party should remain in power perpetually.He or she will be able to use his or her power as a voter to make new gains. Nevertheless, to achieve results, it is not possible for players crushed by the pressure of their momentary needs to follow this strategy independently of each other. If the poor act together to ensure that their joint needs, such as housing, are met, it will allow them to take the initiative against a strong player in future games.

CONCLUSION

Game theory recommends that each and every situation be approached like a game and claims that it shows the most sensible strategy in such games; in moves falling under the scope of finance, behavioral finance claims to prove that players do not always behave rationally. When both theories are taken together, it is also possible to assert that when the correct behavioris clear, negative results stem from people not behaving rationally. This approach, if it interprets every bad situation that occurs to be the result of individuals' incorrect behaviors, must not lead to the error of not seeing the distortions created by the economic structure. Game theory and behavioral finance must not acquire the role of absolving the system, especially not with regard to poverty. Otherwise, we might be tempted to see the poor as responsible for, rather than as victims of, the inhuman conditions in which they find themselves, and under the influence of this thought, we might be less willing, or even unwilling, to help them. Yet above all, the children of the poor are also poor and it is certain that they at least are not living in poverty because of their own mistakes. They will have deficiencies in many areas, from the education that they receive to food, and they will make them felt in every game that they will one dayplay as adult individuals. There is a high probability that,as players under the influence not only of the physical but also of the psychological burden of the harsh conditions in which they find themselves,they will make bad moves in life. The poor should definitely be helped to make their living conditions easier and alongside this, strategies in the struggle against poverty should also be formulated in the light of theories such as game theory or behavioral finance.

Close to two thirds of the steel and more than two thirds of the aluminum, copper, lead, nickel and zinc, and three quarters of the energy used in the world is used by industrialized countries and, for example, the demand in developed countries is also behind the destruction of the rainforests (Şenses, 2013, p. 157). These facts also unmask the injustice of seeing the poor as a group that needs help from others while consuming more. The planet that we live on is a joint resource to which future generations are also entitled. The poor have received a much smaller share of this joint resource than the rich have. As the natural result of this, they consume less of the planet. Therefore, it is also possible to think that the rich are indebted to the poor because they consume more natural resources, which are the joint property of humanity.

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KEY TERMS AND DEFINITIONS

Behavioral Finance: A theory, which claims to prove that human does not behave rationally in the financial decision-making process.

Game Theory: A theory, which recommends that each and every situation be approached like a game and claims that it shows the most sensible strategy in such games.

Poverty: A state of deprivation wherein the basic needs necessary for survival are not met.

Poverty Line: The minimum level of income deemed adequate in a given country.

Poverty in Turkey: The situation of poor people in Turkey.

Social Work: A practice-based discipline, which try to improve the quality of life and wellbeing of an individual, group, or community.

Struggle Against Poverty: Fight against poverty.

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Chapter 4
Recursive Inter-Ethnic Violence and the Failure of Development Communication in Africa

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ABSTRACT

This chapter traces the evolution of development communication and examines how it has helped or hindered peaceful coexistence in Africa. Starting with the dominant paradigm of the 1950s and 1960s, it explains the critical and dependency model of the 1970s as well as the participatory paradigm of the 1980s before concluding with the most recent iteration which is the social entrepreneurship model of McAnany (2012). These provide a backdrop for examining the place of communication in the recent developments in the six African countries which are among the 10 fastest growing economies of the world today. The final picture to emerge is one that underlines the importance of strategic communication in planned social change, especially in promoting peace and curbing inter-ethnic violence.

INTRODUCTION

Africa, the origin of human existence, has been bedeviled with numerous recursive violent confrontations from ancient times, long before the earliest contact with explorers and colonialists. With a landmass of approximately 11.7 million square miles, it covers 20.4% of the world's total land area. The population stands at about 1.2 billion now but will reach up to 2.4 billion by 2050. Although Africa is reputed to have no less than 835 ethnic regions (Murdock 1959), this is likely to be an undercounting and it is widely believed that if African national borders were based on ethnic or linguistic identification as in Europe, the resultant countries would be more than the sum of all the countries in the world today. With so many ethnic groups many of which are in very close proximity to each other, and further challenged with limited resources, inter-ethnic rivalry and conflicts seem to be inevitable.

In this chapter, we highlight some of the historical and recent inter-ethnic violent incidents against the backdrop of ineffectual development communication strategies and practices that could have prevented

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or at least ameliorated some of the violence. The best solution to inter-ethnic conflicts is prevention, which is best built on effective communication, congenial meeting of minds, and common understanding. Violence and conflicts are evidence of communication failure first at the interpersonal level and then at the mass society level. Development communication is one of the ways to promote peace and conviviality within and between ethnicities. This appears to not have worked in Africa yet.

In the front part of this chapter, we trace the course of development communication paying attention to the distinct phases which are now referred to as the paradigms, starting with the original first phase or dominant paradigm of Daniel Lerner and Wilbur Schramm through to the current phase which McAnany (2012) has referred to as the entrepreneurial stage. Interspersed between these two phases are a potpourri of six or so variegated models which are conveniently labelled dependency, participation, communalism, oramedia, "RIOC", cultural warrants, and triple heritage. Explaining these approaches to development communication sets the stage for an analysis of the environment for recursive violence in five selected African countries which are Sudan, Egypt, Kenya, Nigeria, and South Africa. At the backend of the chapter, we conclude that development communication in Africa is still largely misunderstood, unappreciated, under-utilized, and consequently has not served Africa very well, in spite of the reality that the continent is culturally communication-rich. The much touted African renaissance will require more strategic uses of traditional and modern communication, without which significant development will continue to elude large sections of the continent.

DEVELOPMENT COMMUNICATION: WHAT IT IS

The term 'development communication' is still not fully understood and it is far from clear how communication contributes to development despite more than half a century of continual scholarly and practical attention to the salient issues of the subject in all the regions of the world. Regardless of whether it is called development communication or communication for development or development-support communication or social change communication, it is taken to refer to the understanding that the state of socio-economic growth and social change in a community is a function of the extant communication processes that include interpersonal and mass media contexts. Development communication, as a term, came into greater use in the 1970s, following the coinage by Quebral (1972, 1973) who defined it as the art and science of human communication used in planning for and bringing about strategic transformations of a society to alleviate poverty and achieve better and more equitable socio-economic growth that involves the larger unfolding of the potentials of individual peoples.

Properly conceived, development communication is the practice of purposively and systematically applying communication principles, processes, products, and methods to promote positive and desirable change in a community. In this sense, it is necessarily continually evolving and applicable in all human societies, regardless of their levels of economic and technological development as it is primarily aimed at addressing and redressing social problems. Since there are no countries without social problems that can be addressed through communication, it follows that no countries are outside the ambit of development communication. As Moemeka (2000, p. x) explained, "there is no nation in the world that has no development or social change problems … problems whose solutions are strongly dependent upon intelligent exchange of ideas, cooperation and building of understanding." The building of understanding and the creating a feeling of social togetherness and community unity are some of the essential functions of communication in society. Pervasive social tension and inter/intra-group violence are indicative

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of communication failure and a low level of development communication, although communication in itself cannot be the panacea for disagreement between and within groups.

As a field of study, development communication started in rural sociology with early interests in the diffusion and adoption of innovations and the processes for making new ideas more widely accepted by people (Rogers, 1962). It was also a focal concept in political science and international development studies, with particular attention addressed to mechanisms for improving political participation and living conditions among less-developed peoples, particularly in the Middle East (Lerner, 1958; Pye, 1962). From such early beginnings, development communication has now become an interdisciplinary subject for scholars and practitioners in social psychology, social marketing, public journalism, economics, global and area studies, cultural communication, and media studies, among others. Interest in development communication as a field of study and practice waxes and wanes, depending on the potency of individual promoters or academic departments and supporting organizations such as The World Bank and United Nations organizations. Credit is deservedly given to the pioneers whose efforts are still today acknowledged as the dominant paradigm.

The Dominant Paradigm

Among the pioneers in this area are Daniel Lerner, Wilbur Schramm, and Everett Rogers, who are associated with the dominant or originating paradigm which held sway in the 1950s and 1960s. The main points of development communication at this stage were best expressed by Lerner (1957) as "the parable of Balgat" which is the story of how an ancient village in Turkey passed into a modern suburb with retail stores, a bus service, electricity, tarred roads, movies, and other symbols of the new civilization. Within Balgat and all through the region, there pervaded a sense that the old ways had to go because they no longer satisfied the people.

Schramm (1967) added to the understanding of development communication by explaining how communication is an integral part of the most widespread and spectacular patterns of social change and modernization in developing societies, where "communication is asked to help survey a new environment, raise people's aspirations, guide and control a dynamic process, teach new skills, and socialize citizens to a new and different society that is still in the process of becoming" (p. 5).

Rogers and Svenning (1969, p. 14) elaborated on the link between modernization and development in these words: "Modernization is the process by which individuals change from a traditional way of life to a more complex, technologically advanced and rapidly changing style of life." Rogers (1974, p. 45) would later add that modernization at the individual level corresponds to development at the societal level and "so, development is a kind of aggregated modernization" (was not to be conceived as Americanization, Europeanization or Westernization, but should be domesticated. The scholars were comfortable explicating the concepts and processes of modernization and did not call their efforts 'dominant paradigm' (Rogers & Svenning, 1969).

An overburden by technology and new ideas existed – even at the cost of reducing ethnic tension and violence – which at the time was noticeably minimal or perpetrated at foreign dominators. These were all the right sentiments regarding the power of communication to bring about change, but they were not sufficient to keep at bay rising disenchantment with the main tenets of the dominant paradigm, which culminated in the evolution of the successor paradigm of the dependency model (the second paradigm).

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Dependency Model

Criticisms of the main tenets of the dominant paradigm were in tandem with the views of Latin American economists who disagreed with modernization principles of adopting Western economic systems that benefited compradors and foreign interests at the expense of the local population. Modernization was seen as a cloak for continued dependency in the economic realm, and this political economy side of dependency easily transferred to communication. The reverberations of the dependency paradigm had started with attacks on modernization which was the thesis of the dominant paradigm (Frank, 1967) but soon morphed into more pointed criticisms against the expectations that expectations of media impact/determinism – see Peter Golding (1974). The mass media are not neutral purveyors of information but often reflect ideologies of the ruling class or imperialists in the case of foreign programs. Beginning with Latin American writers, who were soon joined by Asian and African voices, it became acceptable to "consider mass media as tools of imperialism rather than magic multipliers for social change, as Lerner and Schramm had promoted" in the phase of the dominant paradigm (McAnany, 2012, p. 71). Communication and media do matter in social change, not only in the techniques and technology but also in the content and messages. These ideas would reverberate more strongly later in arguments in support of the new world information and communication order to redress the imbalance in global news flow. If dependency was a criticism of modernization and the dominant paradigm, participation and the involvement of the people at the peripheral, economic, and social structures was proposed as a solution to addressing the inadequacies of imperial domination.

The Participatory Paradigm

If dependency is the riverside of the dominant paradigm, then participation is on the same side with dependency. The introduction of new ideas could best be done by involving the people who are the beneficiaries of change and development. One of the most ardent promoters of grassroots and citizen involvement was Freire (1970) who developed the method of "critical consciousness" from his experience of teaching peasants and students to read. Development beneficiaries should not be passive recipients of instruction and new knowledge, but rather like literacy students, should be active participants, who are engaged in the critical examination of their extant situations of oppression with their eyes focusing on the target goals of empowerment instead of just learning new tools. Learning by active engagement and full participation provides motivation, empowerment, and a sense of ownership, which are important concepts that leverage social change and development.

Unlike modernization and dependency, the participatory model underscores the importance of empowering local people and development beneficiaries to be active participants in development projects instead of waiting passively to be directed. Servaes, Jacobson, and White (1996) explain participatory development as encouraging the empowerment of ordinary people in developing countries to promote positive social change and development of their communities. Whereas participation has obvious benefits, it is not flawless. It has its drawbacks, which include over glorification and idealization of local capacities for knowledge and engagement, and the misplaced belief that participation is unassailable and always desirable for its own sake. Participation reposes great confidence in the people's capacity to know what is best for them and to be able to eschew negative inclinations such as selfish self-interests and dangerous cultural practices or beliefs. Although participation is desirable and can be put to good use in development social change communication, it is not a magic bullet. How could it have been gain-

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fully deployed in such situations as the Rwandan genocide of 1974 where the Hutus massacred the Tutsis and lots of lives were lost from both groups? Or in the post-election violence that wracked Kenya in 2007 and 2008? No one paradigm is sufficient to explain and guide the use of communication in social change management. Social change can be conceived as a set of ideas or products or services which are amenable to social marketing techniques of persuasive communication and entertainment education. In a post-participatory phase of development communication, McAnany (2012) proposed social entrepreneurship as a new paradigm.

The Social Entrepreneurship Paradigm

The new emerging discourse of development communication is focusing on entrepreneurship, local settings, small scales, and gradual scaling up. Calling this the "paradigm for a new millennium" McAnany (2012, p. 106) observed that "much of the thinking about development over the past fifty years or more has been promoted by national governments, large foundations, and the UN system" and recommended that the development communication community adapt from the work of two pioneers, who are operating outside the communication field. The first person is Muhammad Yunus who created the Grameen Bank for poor women in Bangladesh and the second person is Bill Drayton, who created Ashoka, a social change NGO designed to seek out promising change agents worldwide and sponsor their ideas with private funding. Although social entrepreneurship has been defined differently, it is acknowledged that the common goal is the creation of value that is social and the consequence is the provision of benefits for people whose urgent and reasonable needs are not being fulfilled by other means. Thus, as McAnany (2012, p. 108) explains, it is "an approach that looks at social problems that are not otherwise being solved and finds a local solution to them." Applying this paradigm to the problems of recursive social conflicts in African communities, Grameen Bank's principles of helping local poor women to build trust and become more economically self-reliant can help promote peace and inter-group harmony, as can Ashok's principles of promoting positive change and innovation within a peaceful social culture. How popular and widely accepted the social entrepreneurship model will be among development communication scholars and practitioners remains to be seen. What is easy to see is that like the other preceding paradigms, aspects of it will not easily go away and will find applications in some areas of development communication and social change practices.

Other Development Communication Paradigms

If it appears that successor paradigms in the field completely displace their predecessors, this is not exactly true as every model has some kernels of truth that survive critical onslaughts. Thus technological determinism might be criticized in the dominant paradigm of modernism only for us today to see that the new social media are assuming very powerful stances that could not have been imagined in earlier generations. Dependency and participation are taking on new meanings in the new phenomena of globalized digital communication where the distinctions between sources and audiences are becoming less clear. In the circumstances, it is best to see these paradigms as explanatory concepts rather than historical phenomena that marked certain periods in the life of development communication. In this sense, there are many other explanatory concepts that help to illuminate development communication principles and practices, and they all have implications for explaining Africa's predicament of inter-ethnic violence. A prime example is Frank Ugboajah's oramedia, which is the notion that African communication must

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be patently African, if we accept that human communication is an extension of the particular peoples engaging in the creation and exchange of the communication content through their accepted channels, which can be unique to them, as in the case of some aspects of African traditional communication.

The Oramedia Model

The concept of oramedia is neither fully explained nor is its theoretical and practical import expressly developed. The term could be taken to be a derivative of oral (spoken) media as prevalent in traditional African settings, but that would be only part of the story as there is much traditional African communication that is not spoken. Frank Ugboajah, who created the term equated oramedia with folk media and characterized them as based on indigenous African culture with rich symbolic significance. As he explained it, "oramedia or folk media are grounded on indigenous culture produced and consumed by members of a group. They reinforce the values of the group. They are visible cultural features, often strictly conventional, by which social relationships and a word view are maintained and defined. They take on many forms and are rich in symbolism" (Ugboajah, 1985, p. 166). Challenge is for scholars to further explore and "to identify systematically the symbols that exist in traditional media channels and how these symbols can be manipulated for effectiveness in communication" (p. 176). His challenge for scholars to explore "the potentials and relevance of oramedia in the process of development." and for managing inter-ethnic social tension. More communication technology (tool or medium) than communication content (the message) – without much attention on communicators (receivers/senders), which is the focus of another African communication paradigm which was originated by Onuorah Nwuneli in his work propagating social change through government-sponsored rural communication.

The Rural Information Officers Corps (RIOC)

This is an approach to development communication and social change which places more emphasis on people as active agents than technology qua technology. With as much as 65% of African peoples living in the rural areas, Nwuneli argued that sustainable national development must incorporate rural information management aimed at engaging with rural dwellers as active participants.

GOAL OF THIS CHAPTER

In this chapter, we plan to examine how the four phases of development communication played out in Africa and helped or hindered inter-ethnic harmony. Our emphasis will be on the current paradigm of social entrepreneurship and its application in the six African countries which are among the 10 fastest developing economies of the world at this time. While we are stridently objective in our analysis, we shall not hesitate to be cautionary even if this runs in the face of the prevailing exuberant optimism about rising Africa. Our emphasis shall be on the promise of communication as a means of promoting inter-personal and inter-group harmony and thus while recognizing there is a role for communication technology, our focus will be more on the human, social, emotional, and personal aspects of messages. The final picture we hope to create is one which will show that even though development communication has failed in African peaceful development, there are important roles for strategic communication in the evolving social climate of change on the continent.

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INTER-ETHNIC CONFLICT IN AFRICA

The post-independence era did not bring about the much anticipated peace and security that many Africans had hoped for. Post-colonial societies in Africa while autonomous from their colonial masters, have had to contend with the established neo-colonial bourgeoisie. A lot of ethnic conflict arises between indigenous classes and neo-colonial ethnic authorities. Control over state power is never fully with one or the other and cultural dominance becomes the bases of class supremacy and state rule. The inherent problem is that whichever group finds themselves in charge of the state tends to engage in similar behaviors of altering the law in their favor, partiality, corruption as a means of achieving their objectives, and collusions among politicians and civil servants (Mou, 2014).

We can find examples of such behavior in the major ethnic conflicts that have plagued/ and is still challenging African nations, post-colonial era. Take for example Egypt. The Nubians were forced by other groups to leave the south of Egypt that they believe belonged to their ancestors. The Banu Hilal Arabs were stigmatized by other Arab groups on the justification of bad morals. Ethnic conflicts can also be racially motivated for example in the case of South Africa. Even with the rate of modernization that the country has achieved, certain groups like the Zulus, Xhosas, and other ethnic concentrations do not fully enjoy the yields of their countries development. The early twentieth century witnessed executive mandates against Black South Africans such as their evacuation from major cities and even withholding some of their rights to produce their own food through agriculture. In addition to having a right-wing ruling government, the apartheid in South Africa led to the promulgation of beliefs that Black South Africans were not only culturally inferior, but biologically inferior as well. Black South Africans grew contentious towards the ruling authority (Irobi, 2005).

South Africa is the regional giant of the south of Africa. The country has approximately 40 million people and is familiar with the complications of racial polarization. The notable racial divisions are indigenous (or Black) Africans (about 30 million), Whites (about 5 million), and Colereds and Indians (about 3 million). There are a total of eleven linguistically different groups but English is the official language. South Africa is plagued with ethnic separatism in identity, language, and ethnic symbolism that was heavily influenced by colonial rule. Establishing ethnic harmony has been quite a challenge for the country (Irobi, 2005).

Nigeria is the epitome of pluralism with over 250 ethnic groups. The country contains a conducive atmosphere for the most challenging ethnic conflicts possible. Before her independence in 1960, Nigeria was divided into three regions, the north, east, and west. These divisions exist today as classifications for the major ethnic groups of Hausa in the north, Igbo in the East, and Yoruba in the West. Several sub-groups make up these three regional categorizations. The Hausa-Fulani people are the largest ethnic concentration in the country and their defining factors for ethnic ties are language and religion. The Yoruba's on the other hand are united language and ancestral legends. The Igbo's existed in social units of segmented village groups. The different groups were united in trans-village relations through the Aro Chukwu trading community. Not having a central ruling state system like the Hausa-Fulani or a unifying myth of origin like the Yorubas made the Igbos a difficult group to be subdued during colonial rule (Young, 1976).

In 1945, an incident occurred in Jos city of northern Nigeria that involved an Igbo settler in the state. What started out as a minor altercation escalated into a riot that led to the loss of many lives. More events such as this began to occur in other parts of northern Nigeria that led to the loss of lives with Igbo's as the primary victims. There were ethnic insecurities, growing fear, and anxiety among the Igbo's. This

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was also a time of great suspicion over the forth coming elections and the motives of the different ethnic leaders. One hand was the Hausa-Fulani people preaching Africanization and on the other hand was the Igbo's with their intelligent and enthusiastic rhetorician Nnamdi Azikiwe calling for Nationalization. Nigeria was becoming a chaotic battleground for ethnic and regional tensions. The progression led to a coup of Igbo military majors in 1966 followed by a deadly northern backlash. The bloody civil war had begun in earnest and it was a battle between the Hausa-north and the Igbo-east (Young, 1976).

The case in Sudan was quite different. The southern part of Sudan had three major provinces – Upper Nile, Equatoria, and Bahr al Ghazal. The major thing they had in common was their opposition to northern Sudan. In terms of development, south Sudan seemed to be in stark contrast to the north. Young (1976) pointed out that in 1955, a year because Sudan became an independent state there were only three schools in the whole of south Sudan compared to sixty-five schools in the north. Even within the grossly underdeveloped south, the distribution of development among the provinces were significantly different.

South Sudan also witnessed a devastating civil war with north Sudan. The year was 1955 and it was just months before Sudan became independent. Tension rose in the south as 300 southern workers got laid off from working in the mills. Angry southerners accumulated in the north to demonstrate their grievances and the north retaliated. Things got deadly for the southerners with many of them losing their lives and fear mounting. A few years prior, in 1947 to be precise a conference was held in Juba and the northern leaders invited representatives from the south for a meeting. They all reached an agreement that Sudan would be developed as a single country. The first national elections were held with three parties emerging – the Southern Party, the National Unionists Party, and the Umma. The latter two were northern parties. In campaigning, the northern parties capitalized on the fear in the south to gain their support. Each party accused their northern opponent of seeking to dominate the southerners.

Soon after that, a list was published with the names of people that had been given civil service appointment. Out of the 500 names, only our four were from South Sudan. This elevated the fears and suspicion of the southerners. They changed their parties name from the Southern Party to the Liberal Party and held a conference where they decided that they did not want to be a part of one Sudan anymore. Following this new development were numerous massacres of southern troops and fearing for their lives, many of them sort escape. There was complete distrust between the south and the north. Many southerners who fled started reemerging as guerilla soldiers.

When Kenya got her independence, the ordering of tribal units established by the colonial rule in 1925 were still in place. By inevitability, the political parties that emerged were based on ethnicity and the stakes for control over the region were very high (Wopp, 2013). Natives often harbored resentment towards new settlers. There always seemed to be a perceived threat that was accompanied with violent actions and repercussions. It did not help matters that many regional leaders were tribalists in some respect and favored members of their tribes above others (Nwakikagile, 2007).

Kenya saw some of its bloodiest conflicts in the late 20th century. The Coast and Rift Valley provinces carried out stringent actions to expel Kenyan settlers from other regions of the country (usually the interior), from their territory. In 1992, at least 3000 people were killed or severely wounded in the Rift Valley province. In the Coast province, attacks were constantly carried out on the Kikuyu, Luo, Luhya, and Kamba people among others (Nwakikagile, 2007).

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APPLYING DEVELOPMENT COMMUNICATION TO CONFLICT RESOLUTION

The inter/intra-ethnic clashes explored above are in no way representative of the all the conflicts across Africa. However, they portray the common themes at the center of conflict issues within the continent. The specific cases point to social issues such as corruption and favoritism in Egypt, discrimination in South Africa, Nigeria, and Kenya, and underdevelopment in Sudan. Unfortunately, there is an observable overlap of all these problems in both past and present inter/intra-ethnic conflicts in African countries. Other emergent themes that are motivations for indignation are discontent, fear (for safety, future, and maintaining power), greed, threatened value systems among others. It is not unreasonable to think of resolving ethnic conflict in terms of assuring offended people, things of perceived value – their safety, assurance of their position etc.

The social entrepreneurship paradigm of development communication as stated earlier, focuses on providing small-scale entrepreneurial opportunities for those in local settings as a means of abating conflict. McAnany (2012) identifies the processes involved for social entrepreneurship. First, an identifiable goal should be created for inter/intra-ethnic conflict. The second step is to employ innovative techniques for addressing the issue. Third, expand the organization in a way that serves a large number of people, and finally, use empirical analysis to evaluate the performance of the program. McAnany encourages research efforts to be directed at social and economic bottom line participants of the initiative in order to effectively evaluate the true impact of the program.

Although the technique of social entrepreneurship has not been fully taken advantage of in abating inter/intra-ethnic conflicts in Africa, there are some emergent cases for example the National Poverty Eradication Program (NAPEP) in Nigeria (Ugoh & Ukpere, 2009). One of the main challenges encountered by such programs is the capacity to empirically measure its impact. The nature of ethnic conflicts is not such that a one-size-fits-all solution can be applied. Even if we put all ethnic upheavals into categories, in order to address them, they must be understood on a case by case basis.

Africa is lacking in development communication researchers who focus their studies on the nature of conflict situations. Some aspects to consider for conducting the needed research are the kinds of insecurities that are present and the difficulties posed by such threats. According to Ikelegbe (2015) the current state of social change research in Africa is plagued with high costs of research, lack of corporation between researchers, practitioners, and government, difficulty in empirical data collection, and safety issues. Ikelegbe offers solutions to the problem of development communication research by suggesting the use of native's involvement, those well known in localities, avoiding localities prone to high risks, seeking cooperation of critical stakeholders, and seeking support of traditional leaders/community leaders, as well as security agencies.

Dada (2015) believes the focus of development communication research should be on ways to effectively promote the concept of human security. He argues that this responsibility is that of development communication researchers and policy implementers. Dada states that most existing institutes for conflict resolution in Africa has focused on the security dimension rather than ways to actually resolve conflict. He agrees with Ikelegbe (2015) in stating that the cost of peacebuilding is very high. Moreover, ensuring that peace is sustained after the war is fought is a complex but important challenge. The picture of change that is presented ought to take into cognizance the picture of peace held by the conflicting parties otherwise, they would continue to pursue through violence, what they perceive to beneficial end for

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themselves. Oshita (2015) highlights the importance of Africans being the ones to carry out research about Africa. While he encouraged that foreign anecdotes be adopted, he advises the careful interrogations of foreign approaches to African conflicts. Oshita (2015) stresses the building of necessary infrastructure and effective conflict mediation as keys to addressing interethnic conflict

THE NEW AFRICA

Recently, there has been a new awakening as the fortunes of the continent appear to be looking up. This has been given different names ranging from African Renaissance to Africa Rising, and Emerging Africa. Six of the 10 fastest growing economies in the world today are in Africa. Both the academic literature and the popular mass media are agog with recent products chronicling the continent's new economic development fortunes. However the challenges of inter-ethnic violence are ever present, and will continue to pose a serious constraint, unless the good works of communication are deployed to realize some of the visions of the pioneers of development communication.

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KEY TERMS AND DEFINITIONS

Dependency Model: The belief that mass media are not neutral purveyors of information but often reflect ideologies of the ruling class or imperialists in the case of foreign programs.

Development Communication: A communication strategy used to promote peace and conviviality within and between ethnicities.

Dominant Paradigm: The belief that old and traditional ways of doing things are no longer sufficient and modernization is the way forward.

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Inter/Intra-Ethnic Conflict: A dispute that occurs between or within ethnic groups.

Oramedia Model: Visible cultural features, often strictly conventional, by which social relationships and worldview are maintained and defined.

Participatory Paradigm: Involvement of the masses in new ideas for change and development.

Rural Information Officers Corps (RIOC): This is an approach to development communication and social change which places more emphasis on people as active agents than technology qua technology.

Social Entrepreneurship Paradigm: A focus on entrepreneurship, local settings, small scales, and gradual scaling up as the answer to modern-day problems.

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Chapter 5
Theoretical Aspects on Bottom of the Pyramid in Emerging Economies:
An Overview of Microfinance in Latin America

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ABSTRACT

Despite the growing body of literature on the Bottom of the Pyramid (BoP), much remains unclear and more research is needed in a number of areas as this chapter will highlight. Firstly, the broad literature is reviewed which includes looking at definitions and different strands of research undertaken in the field. The chapter then presents three key sectors that the authors believe have the most potential to aid poverty alleviation, while proposing that other types of studies can be conducted for other sectors that are more likely to lead to consumer satisfaction. Points of departure are offered, before discussing microfinance and then latterly in the context of Latin America. The chapter uses secondary data to show key countries and institutions serving the BoP, and to highlight important aspects that merit further attention. Implications for policy makers and practitioners are offered, and this is followed by a number of directions for future research.

INTRODUCTION

The concept of the Bottom of the pyramid (BoP) first introduced by C.K. Prahalad has led many scholars to undertake research on the low-income consumers and underserved communities, and this has become a promising area of study. This chapter aims to uncover two important objectives: firstly, to review the

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concept of BoP, and secondly to map out a number of microfinance institutions that serve this segment in the region of Latin America. We begin this chapter with a review of BoP from its inception, and the controversy surrounding the definition, before delving into the literature on the BoP, including Prahalad's work and the main theoretical developments. Attention then turns to microfinance and the BoP in emerging markets, before focusing more specifically on Latin America as an important region of study. The chapter then using secondary data maps out the microfinance companies serving the BoP, and the Latin American countries in which they operate. This will allow scholars undertaking research on this area to more easily identify which companies and countries merit further and more narrow research at different levels, including a firm and individual level. Finally, we conclude with policy implications and future research directions.

BOTTOM OF THE PYRAMID: PRAHALAD AND BEYOND

The Peruvian economist Hernando de Soto (2000) calculated that up to half of the total economic activity undertaken in emerging markets takes place outside the formal economy. The scholar further states that the total unregistered assets among the world's poor accounts for US$9 trillion, a point acknowledged by Prahalad (2010). London and Hart (2004) have consequently suggested that within such an informal context, governments and firms should primarily build relationships based on social, rather than legal contracts. The work of these scholars has set the foundations and contributed significantly to research on how firms in emerging economies should look in a constructive manner at the people living at the bottom of the socio-economic pyramid.

There are different ways to define the bottom of the pyramid, and initially Prahalad and Hart (2002) in their seminal paper outlined the BoP as people living with an annual income of less than US$1,500 measured on purchasing power parity (PPP) basis. However, much debate has centred on this PPP threshold and this is due to the lack of rigour. The World Bank and other scholars use different thresholds and so there is clearly a lack of consistency, which is neatly pointed out by Karnani (2007). The World Resource Institute (WRI) and its partners have proposed a new definition and this threshold is based on an annual income of US$ 3,000 PPP in 2002 U.S. dollars, which is $3,260 when adjusted to 2005 U.S. dollars (London, 2007). According to the WRI threshold, the total amount of people living at the BoP across Africa, Asia, Eastern Europe, Latin America and the Caribbean accounts for nearly 4 billion people (Hammond, Kramer, Katz, Tran, & Walker, 2007).

Nevertheless, it remains very opaque, and it is complex to establish a consistent BoP definition when purely based on an income basis. An important issue to point out is that the national context in various emerging economies is different, with certain regions of the world exposed to higher levels of extreme poverty (people living on less than US$1.25 per day). At the same time there are studies that apply a rather general definition of BoP that is well above the US$ 3,000 annual income (Hart, 2005). Furthermore, there are important differences when we take into account rural poverty contexts (often the case with African countries), and urban poverty (often the case with the Latin America region). This distinction is fundamental, and well explained by Kolk, Rivera-Santos, and Rufin (2013) who point out that "the spending power on consumer goods in the shantytown of the three largest cities in Venezuela is between 5 and 10 times higher than that of the whole Indian rural BoP population" (p.15). It is the case also that some studies tend to segment the BoP and just focus on one specific tier (either taking the lowest or highest). These limitations illustrate how difficult it is to arrive at a universal definition for the BoP.

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It is due to this complexity we feel that the definition proposed by London (2007/2010) that views the Base of the pyramid as the poor at the base of the global socio-economic ladder, who primarily transact in an informal market economy as the most effective and reliable one.

One of the specific topics surrounding the base of the pyramid is how firms build businesses that target the BoP. Kolk, Rivera-Santos, and Rufin (2013) show that research views the BoP from two dimensions; the first refers to the role or position of the poor in the value network, meaning the extent to which the poor are viewed as customers. The second is the mode of engagement, which examines the extent to which targeting the BOP is based on existing or the 'co-invention' of products.

The opportunities at the BoP and the low-income segments are an intriguing proposition. However, what is less clear is how companies and particularly MNEs can effectively serve this large mass of informal workers and consumers. Prahalad (2005) suggested that there is an untapped purchasing power at the BoP, and that private firms can attain profits by selling to the poor. The underlying argument is based on the assumption that by selling to the low-income segments, companies can bring prosperity to the poor and this can contribute to alleviating poverty. From this perspective, it is suggested that MNEs should play a key role in this process. However, it is noteworthy that some authors like Karnani (2009a) view this with scepticism.

Other scholars, such as London and Hart (2004) have emphasised that strategies in emerging economies have to reinvent the transnational model if they want to target the BoP. The aforementioned authors suggest that MNEs that successfully devise strategies that rely "on leveraging the strengths of the existing market environment outperform those that focus on overcoming weakness" (London & Hart, 2004, p. 350). The same authors advocate three important strategies for the BoP, which include developing relationships with non-traditional partners, such as (NGO's, the local government, suppliers), co-inventing custom solutions, and building local capacity. The BoP approach suggests implicitly a market solution to poverty; however, since its inception the BoP has considered the poor mainly as consumers. More recently, it has been advocated that poor people should also be considered as producers (Karnani, 2007/2009a), self-employed poor people, otherwise known as micro-entrepreneurs (Gibson, 2007), or even looking at the poor in different points of value chains (UNDP, 2008).

Simanis and Hart (2009) formalized the idea that the poor should not be regarded just as consumers, but also as co-inventors of BoP initiatives. Karnani (2007/2009a) suggests that to alleviate poverty, it is necessary to raise the income of the poor and points out that buying from the poor is far more relevant than selling to them. He emphasizes that the majority of examples of BoP are based on the poor as consumers. The author goes further to suggest that the effective way to reduce poverty is through employment, and that the most effective organizational form to achieve this is small and medium enterprises (SMEs) in labour- intensive sectors. Karnani (2007/2009a) offers the example of China as one of the countries that have implemented the most effective poverty reduction strategy, where poor people have been given the chance to work in labour-intensive rather than in capital-intensive industries. This approach has been effective yielding strong results in China. Other emerging economies, such as India opted for different strategies (generating jobs through larger businesses), which has not achieved the same result. In his more recent work, Karnani (2009b) brings to light the example of Technoserve, an NGO that is able to generate thousands of jobs through specific investments in human capital to boost the creation of local SMEs in different developing countries, such as Asia, Africa and Latin America. However, the downsides are that it assumes a certain level of government involvement in the creation of a business environment for SMEs to grow, and the examples presented in the literature are scarce.

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A small group of scholars have pointed out the relevance of microfranchising as an approach to alleviate poverty. Gibson (2007) explains that microfranchising brings two parties together and brings mutual benefits to each party. It pairs talented microentrepreneurs who want to expand their business, but may lack managerial skills and capital to achieve this; with people who lack entrepreneurial skills, but desire self-employment. Kistruck, Webb, Sutter, and Duane Ireland (2011) advocate that microfranchising might provide a number of social benefits to microfranchisees and underserved communities.

Banerjee and Duflo (2007) show that the poor can be entrepreneurial, and show BOP consumers as being able to undertake several different types of jobs. However, it is a result of the lack of specialization and training that prevents them from obtaining higher incomes. An interesting finding in the literature is that the large majority of entrepreneurship examples at the BoP are not initiatives introduced by the poor (Anderson & Billou, 2007; Dolan & Scott, 2009), but examples showing the poor as producers (Altman, Rego, & Ross, 2009). Kolk, Rivera-Santos, and Rufin (2013) suggest that while there is a call for MNEs to collaborate and co-create with the poor, very little examples of this can be found in the current literature.

The review so far illustrates that there are different perspectives with respect to understanding the poor at the BoP, and how to alleviate poverty through different approaches. However, they all recognise to different degrees the potential or relevance of the BoP (Nghia, 2010). The majority of the studies conducted have viewed the poor as consumers, and much less have focused on the poor generating income, or the poor as key actors along the value chain, such as distributors, suppliers or employees (Kolk, Rivera-Santos, & Rufin, 2013).

Another strand of literature within the BoP is linked with the initiators of BoP activities. In the initial work, Prahalad and Hart (2002) called for the active role of MNEs, and during the last decade few examples have appeared alongside those well known in the literature, such as Avon in South Africa, Cemex in Mexico, Hindustan Lever Ltd in India (Unilever in India). Despite these cases being MNEs, the majority of initiatives at the base of the pyramid seem to be developed by small and local firms. Cases have been studied, particularly in Asia and Africa showing how small companies have developed innovative solutions to alleviate poverty, particularly in the case of communication technology and mobile phone services (Anderson & Markides, 2007; Arnould & Mohr, 2005; Brinkerhoff, 2008). Another group of studies instead have shown initiatives that have been developed by not-for-profit organizations, and this is quite remarkable given that this goes against the initial idea of BoP. One thing that is clearly shown in the literature is that much more work is needed, in order to enhance our understanding with respect to the roles each of the following can play in BoP projects: MNEs, SMEs or NGOs, social entrepreneurs.

Finally, there is literature associated with the type of outcome related to the initiatives at the base of the pyramid. This is an extremely important section within the BoP literature since an ample of definitions or lens might be used to understand the BoP outcomes. The issue of the assessment and impact measurement of BoP initiatives is relevant and it has been raised by scholars as an important way to legitimize the market approaches to the BoP (London, 2009). Kolk, Rivera-Santos, and Rufin (2013) analyzed a comprehensive number of articles containing explicit measures of the economic impact of BoP initiatives, and they found that half of them did not actually measure the economic impact on the firm. Out of 34 articles that reported the economic impact on the firm, 25 reported a positive outcome for the company. The companies range from a microfinance company reporting positive profit margins (but without showing the actual profit margin) to a renewable energy firm in India reporting positive profit, but without any substantive data (Akula, 2008; Hart, 2005).

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The social impact of BoP ventures was found in 48 out of a total of 104 initiatives, and this has been measured in terms of the impact on the local populations (Kolk, Rivera-Santos, & Rufin, 2013). The literature shows that different assessment criteria has been used from healthcare output to education, access to water and sanitation, to employment and income generation, and empowerment. However, only 28 of these articles were able to fully provide measurable results. One of the issues that need further attention in this research area is objective assessments of BoP initiatives, since the BoP concept deals fundamentally with poverty reduction. A minority of studies have focused on the environmental impact of BoP initiatives, and this may partially be explained by the main structural challenges often poor people have to face in their everyday life, which is linked with basic needs rather than with sustainable aspects of their life. The findings in this area show that empirical evidence of the economic, social, and environmental impact of BoP ventures is rather weak, and more work is needed here to better capture both impact assessment and trade-offs that firms must confront (Kolk, Rivera-Santos, & Rufin, 2013).

SECTORIAL PATHS AND THE BASE OF THE PYRAMID

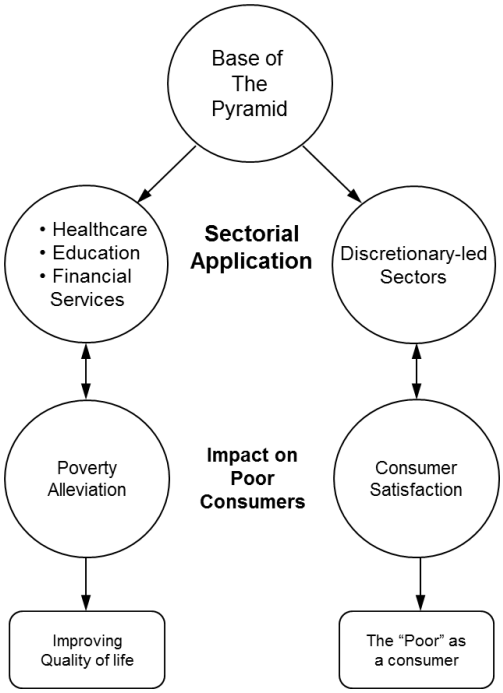
It is clear to the authors that the most relevant and pending issues related to research on the base of the pyramid have been the sectorial application. We believe that doing business at the base of the pyramid in different sectors has different impacts on the poor, for example, the healthcare sector is not the same as the consumer retail sector. The reason for this is that when a sector provides poor people with access to a business solution (either a product or a service) that improves one's life then that specific venture is having an impact at the base of pyramid while conducting business. On the other hand, when a poor person has access to either a product or service related to discretionary spending (such as tobacco or alcohol) this will not improve their life, and can cause more harm (Karnani 2009b). For this reason, we believe that the key sectors that are better linked with the philosophy of the base of pyramid are: healthcare, education, and financial services. Retailing and consumer products still merit attention, but with the objective of better understanding how firms devise strategies to serve low-income segments. We believe that this is more relevant to the field of marketing, and such studies could adopt psychology perspectives which could be fruitful.

Figure 1 demonstrates the type of impact in terms of sector, with two different types of outcomes (Poverty alleviation vs. Consumer satisfaction), the latter relates to improving the purchasing experience of the poor). Applying this to the BoP would have a series of implications: on the one hand it may potentially and effectively improve the quality of life for the poor in terms of health, access to education, access to basic literacy, and knowledge with respect to the use of finance. On the other hand this embraces a more consumption based perspective (which we would argue resembles a 'pure free market ideology' applied to poor consumers), with the argument that the poor also need to have a decent customer experience. Given this dual approach to the BoP, we propose a simple framework that shows the likely approaches and the possible outcomes resulting from sectorial applications. In summary, figure 1 demonstrates that there are opportunities to alleviate poverty and improve the quality of life, or to provide a better purchasing experience for poor people.

We believe that the sectors previously mentioned, which are ones whereby poor people have more difficulty in finding good custom solutions at effective prices can realistically alleviate poverty. In the case of the healthcare, the case of Aravind Eye care system, pointed out by Prahalad (2005/2010) shows

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Figure 1. Sectorial paths and the base of the pyramid
(Source: Authors elaboration).



how radical business models may effectively improve the life for thousands of poor people, while being a viable business. Without these types of business solutions, many poor people would eventually die earlier than they should simply because for them it is not feasible to have access to certain healthcare services, which can be regarded as basic for Western standards. Education is intriguing and appears to be an untapped potential for the base of the pyramid (Stanfield, 2010). While for some readers the association of the terms 'business' and 'education' may seem overstated, there are a number of examples in rural India of private solutions in the education sector. The authors have found private schools serving low-income communities in developing countries (India in particular), which outperform public counterparts. This offers interesting insights with respect to how private sector education may contribute to the development of people living in low-income communities. This offers the poor learning opportunities that are affordable, compared with public schools and this is having a tremendous impact (Stanfield 2010).

Similarly, the financial service industry and in particular microfinance has a lot to offer. When using the term microfinance we are referring to financial services for micro-entrepreneurs, small businesses, and poor people that do not have access to formal banking channels and related services. The case of Grameen Bank has been well documented, and has become a popular case that has shown not only how microfinance in Bangladesh has helped thousands of micro-entrepreneurs to grow their business, but also how to start a culture of saving.

The following section of this chapter discusses microfinance, but before delving into this we summarise some important points from the BoP literature, and these are as follows:

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- Prahalad deserves merit for bringing the attention with respect to how businesses and particularly MNEs may find untapped opportunities at the base of the pyramid; meaning the low-income based socio-economic groups in society.
- BoP casts light on the large amount of people living below the poverty line or barely above it, and that have commercial needs.
- Early perspectives on BoP have failed to build a more constructive and sustainable approach for this segment as it considers engaging with the poor, mainly as customers (Karnani, 2007/2009a).
- Later approaches i.e. (Karnani, 2007; London and Hart, 2004/2011), have demonstrated that the base of the pyramid requires either co-building solutions with poor people or generating real employment opportunities for the poor, in order to raise their income level.
- We question the extent to which industries can aid poverty alleviation with respect to wants (discretionary spending). We believe that some sectors may require more marketing and psychology perspectives to better understand how companies can sell to the poor. Other sectors, such as financial services and more specifically microfinance offer more potential to tackle the issue of poverty.
- Important sectors to study include: education, financial services, healthcare. Further research is needed on the role of SMEs, microfranchising, and microfinance which have strong potential to alleviate poverty.

MICROFINANCE AND BOP

With the term microfinance, we are referring to the source of financial services for microentrepreneurs, small businesses, and poor people that cannot obtain access to formal banking channels and related services. In certain countries, such as Bangladesh or Bolivia microfinance has been extremely successful, and today represents an important segment with respect to bringing financial services to microentrepreneurs and poor people. Advocates of microfinance believe that access to financial services may contribute to poverty alleviation and improve financial inclusion. The microfinance business model is based on providing loans to people who do not have collateral to guarantee banks repayment of a loan. Microfinance can contribute significantly to the lives of poor people, for example weddings, emergencies, and even more long term investment opportunities such as improving a business or buying a land. Furthermore, microfinance is vital to poor people due to their lack of income stability, whereby they may not have money or sufficient funds when they face a specific need, and therefore need to borrow.

One of the best cases that resonates the importance of microfinance is the success of Muhammad Yunus and his Grameen Bank. Microfinance has often been linked with poverty alleviation and has received strong support from governments, NGOs, development agencies, economic and financial institutions. There is a general belief that microfinance represents a method that can aid with alleviating poverty and boost entrepreneurship, and a number of successes have been well documented. The microfinance concept was essentially designed in developing nations for developing nations, essentially to provide financial services to those that are left behind by the formal and mainstream channels and it has worked as a mechanism to fight poverty and achieve social inclusion. According to the Consultative Group to Assist the Poor (CGAP, 2011) 2.7 billion adults do not have full access to formal financial services. This view that providing financial services to people who do not own any assets as collateral is believed to contribute to poverty alleviation, for a number of reasons.

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Carruthers and Kim (2011) believe that access to credit is sensible for the long-term prosperity of a business, and gives people the chance to plan for the future. Furthermore, it may also contribute to the accumulation of equipment and tools to improve business productivity and so there are opportunities for a rise in income (CGAP, 2014). Authors, such as Hermes, Lensink, and Meesters (2011) also link microfinance services with an improvement in terms of access to healthcare services and housing. The logic of microfinance challenges mainstream finance, and sets the foundation for low-income individuals to access credit for different purposes. The rise of microfinance in developing nations also has been accompanied by a certain degree of failure. It could be argued that state owned banks have neglected delivering services and products that target low-income individuals, and instead have increasingly served more the middle and high income classes. Microfinance is probably the most prominent tool that can aid with poverty reduction and business development. According to Berger, Goldmark, and Miller-Sanabria (2006) microfinance has enabled poor microentrepreneurs to access financial services to support the growth of their businesses and increase productivity.

Roodman (2012) points out that microfinance serves at least 150 million clients around the globe. The mechanism of microfinance is based on small loans to poor people that often do not have the formal assets or guarantees to obtain credit through formal channels (banks but also other credit vehicles). In this sense, microfinance is able to provide a small amount of money that can allow microentrepreneurs to grow their business until they move out of poverty. While this concept looks attractive the reality is more complex, as different authors have shown that microfinance outcomes are not fully clear. Banerjee and Duflo (2011) show that in different cases and certain regions, microfinance loans are taken for consumption purposes rather than for productive purpose (i.e. increasing the productivity of a business). Karnani (2007/2009a) also pointed out that the outcome of microfinance is not clear and while in some cases it has proved to be successful, in other cases there was no evidence of poverty reduction at all.

Microfinance has grown remarkably since its foundation in the 1970s. By the end of 2009, more than 3,500 Microfinance institutions (MFIs) reached around 190 million households and 640 million poor people according to the microcredit Summit Campaign Report (Reed, 2011). In 2009, Wharton Business school published a list of the top 30 innovations over the past 30 years and microfinance made this list, with an entry at number 17 (Wharton, 2009). It is quite fascinating how the industry has evolved tremendously since the initial concept can be viewed negatively by both parties involved: institutions offering loans to poor people with no credit history or collateral and poor people wary of accumulating debt. However, organizations that provide such a service to the poor are known as microfinance institutions, which can vary in size. The positive results from expanding portfolio of microloans accessed by the poor have remedied the perception of the poor as a risky segment (Helms, 2006; Pantelić, 2013). Overall, we believe that this sector has much to offer in terms of alleviating poverty and improving the lives of the poor; whether it is the poor accessing capital for business development or emergency needs.

MICROFINANCE AND BOP: THE LATIN AMERICAN CASE

Latin America represents one of the most dynamic regions within the emerging economies, and this due to its unique business environment. Latin America is characterized by institutional voids, corruption, lack of rules of the game, high microeconomic volatility, arbitrage opportunities, large natural resource availability, and numerous low-income consumers (Vassolo et al, 2011). Interestingly, other business research strands such as entrepreneurship and family business which have started to dedicate research

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toward Latin America, share this view. For instance, authors such as Nordqvist et al (2011) explain that Latin America needs to overcome many obstacles as industry environments are uncertain and hostile. Problems in Latin America include weak property rights and business networks, lack of access to financing, rigid regulations and security issues among others. Despite this, the aforementioned authors argue that there is potential for research and cite a report by Ernst and Young (2010) which argues that it may be the best time to start or grow a business in the region as trade relationships have increased and economic institutions have become stronger.

As it has been emphasized in other studies, Latin America is characterized by an overall large informal economy (UN, 2009), and a large number of informal microenterprises (de Soto, 2000). The GDP estimates of the informal economy account for around 51% of employment in Latin America (Webb, Bruton, Tihanyi, & Duane Ireland, 2012). Informality is defined as the entrepreneurial activities that cover certain market-based initiatives that take place within informal boundaries and outside formal institutional ones (Bruton, Khavul, & Chavez, 2011). Therefore, Latin America represents an appropriate environment for research where the informal economy is widely accepted and acknowledged as a norm among the poor. In the literature, a large proportion of the BoP initiatives studied have centred on India, and much less attention is given to Latin America (Kolk, Rivera-Santos, & Rufin, 2013).

The 2013 edition of *Microscope, a* comprehensive report on the world's microfinance business environment produced by the Economist Intelligence Unit (EIU) demonstrates that Peru and Bolivia are the top two countries among the 55 countries in the world. Peru has held the top spot for six consecutive years, while Colombia, El Salvador, and the Dominican Republic all occupy places in the top ten (IDB, 2013).

Microfinance institutions in Latin America have had much success in expanding financial services to underserved communities. Latin America and South East Asia are the two regions whereby microfinance has expanded the most, and since the 1980s the number of clients has grown gradually (Navajas & Tejerina, 2006). Brazil was the country that pioneered and developed microfinance in Latin America during the 70s. However, due to difficult social conditions, microfinance only expanded throughout the region from the 80s (LAB, 2012). By 2009, microfinance institutions in Latin America had served around 10.5 million people and reached a loan volume that exceeded US$12.3 billion. This is a result of the expansion in the number of institutions offering microfinance, and the number of customers or clients that are served (Cotler & Aguilar, 2013). However, as the aforementioned authors point out that there are many differences between countries, and explain that Peru performs well in terms of the institutional development and rank highly in terms of the regulatory framework. Mexico, meanwhile ranks significantly lower in terms of the regulatory framework for microfinance, and even more poorly compared with Peru with respect to the institutional development of the sector. This is an interesting observation as Mexico is a much larger market, and likely has a greater need for microfinance services, yet it is underdeveloped when compared with Peru.

Despite the hype around microfinance and authors advocating its importance, it is unclear to what extent it can alleviate poverty. This remains unclear as most evaluations are based on the financial performance of MFIs, rather than evaluating the level or effect on poverty alleviation (Pantelić, 2013). There are those who are more sceptical with respect to the effect of the industry's potential to alleviate poverty, and advocate that microfinance may not be a sufficient way to establish economic and social development in a manner that can be sustained (Bateman, 2010; Bateman & Chang 2009). Although the same authors acknowledge that microfinance plays an important role in Latin American economies with respect to boosting business activities, at least in the short term. We believe that microfinance is one of the three key industries that have the potential to alleviate poverty, but agree that more comprehensive

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and longitudinal studies are needed that measure and focus on the impact of the industry with respect to reducing poverty.

In the following section the authors provide factors that entrepreneurs need to be aware of when engaging with the microfinance industry in Latin America.

MICROFINANCE AND ENTREPRENEURSHIP IN LATIN AMERICA

In the majority of emerging economies in Asia, Africa and Latin America, a large number of the employment comes from the informal economy, and a large number of these people work as microentrepreneurs. Another feature of many emerging economies is that important segments of the population live below the poverty line or slightly above it. This represents an important challenge as the economic and demographic profile is different when compared to developed nations. However, these are potential business opportunities that result from large segments of the population who are willing to increase their level of consumption.

The presence of institutional voids in emerging economies often leads to ineffective and/or inefficient goods and financial markets, which generate unproductive mechanisms that connect supply and demand. Entrepreneurs often have to face challenges to successfully fill these voids. However, these gaps in the functioning of markets and institutions provide opportunities to entrepreneurs. One of these opportunities is precisely the ability to provide access to capital for micro-entrepreneurs and poor consumers. From a business perspective, entrepreneurs potentially have the chance to fill this 'gap' on the lack of access to capital for people without collateral or assets, and who normally would not have access to capital through commercial banks by putting in place a profitable business model. This implies that entrepreneurs working and providing microfinance services can potentially act as social entrepreneurs, or agents of social change that improve the life of poor people, and at the same time build successful and profitable business models. Entrepreneurs interested in filling business opportunities in the microfinance sector should take into account the following factors:

1. **Microfinance in Different Contexts:** There is a need to understand the different ways in which microfinance is implemented in different countries within Latin America. It is important to stress that income per capita is not the only variable for entrepreneurs looking at microfinance as a business opportunity. For example, Bolivia is a country where people are very familiar to the solidarity-based mechanisms behind microfinance through systems such as the 'pasanaku'. Local communities in rural areas are used to obtaining loans where the community guarantees the repayment of the person who took out the loan. This type of deeply rooted mechanisms, while they do not represent the success of microfinance in Bolivia per se, they still provide a more complex picture of why microfinance institutions can work well in certain countries. On the other hand, evidence from Argentina (and specifically from the province of Buenos Aires) where a number of poor people used to be middle class, shows that this specific type of social composition often does not fit with the profile of potential microfinance customers (Curat, Lupano & Adúriz, 2006). This explains the partial failure of microfinance in Argentina compared to many other countries in Latin America, such as Ecuador, Bolivia, or Peru. Therefore, it is important to understand the type of poverty within each context and the specific mechanisms of social organization within communities.

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2. **Methods of Scaling-Up Microfinance Institutions:** One of the biggest challenges in Latin America is to gain access to enough capital to allow microfinance institutions to obtain long term growth. This is due to the limited size of the financial markets within the region and the number of requirements needed to secure this capital. This represents a potential a major barrier for entrepreneurs and can be overcome by forming strategic alliances with key market players in industries such as food processing and retail.
3. **Product Diversification and Promotional Methods:** While in Latin America microfinance often means providing credits to individuals (or group credit), it is more difficult to identify microfinance institutions with a large and sophisticated portfolio of loans dedicated to microentrepreneurs and micro firms. Entrepreneurs should make a strategic choice about the type of offering to their clients depending on the risk appetite. Entrepreneurs should increase their offering to include other services such as savings or investment, while minimizing losses on their loans and applying customised based solutions to local needs. Entrepreneurs need to promote their products beyond the mainstream outlets (television and radio advertisements). Instead they should promote the services in places that are truly relevant to the local community, for example promoting services in local schools, churches, or other venues that has a strong relevance to that community.
4. **Leveraging Social Reputation:** Latin American entrepreneurs' reputation is not usually perceived highly among local populations. However, social leaders' reputation within the region is often regarded more favourably. Therefore, it is advised that entrepreneurs should establish ties with social leaders in order to have a greater impact on the society. This could be achieved by working with local NGOs and other social leaders.

The following section of this chapter turns to the secondary analysis with the main objective of identifying the state of microfinance in various countries within Latin America. At the same time the authors aim to identify important companies and some of their characteristics that can be used in future studies, particularly those focusing more on a firm level.

MAPPING OUT COUNTRIES AND MICROFINANCE INSTITUTIONS

In this section we set to map out the main microfinance institutions in Latin America. Figure 2 shows the number of microfinance institutions ranked by the Multilateral Investment Fund of the Inter-American Development Bank in Latin America. The data compiled and presented shows that there are a group of countries in Latin America that are clearly represented (see Figure 2). The most standout countries include Ecuador, Bolivia, Mexico, Colombia and Peru, whereby the number of microfinance institutions is relatively high. There is a second group of countries with a smaller number of institutions, but with a significant representation, and these are El Salvador, Nicaragua, Honduras, Paraguay, Guatemala and the Dominican Republic. Finally, there is a group of countries with a more limited number of successful and large microfinance institutions, and these are Chile, Argentina, Brazil, Panama and Haiti.

There are a number of reasons why microfinance is more developed in some countries compared with others, and here we will offer a possible source of analysis to understand these differences. Using secondary data offered by different organizations, such as the Inter-American Development Bank, the World Bank, or the World Economic Forum, Figure 3 shows on one axis the number of microfinance institutions in each country and on the other the rank of each country in 'starting a business' according

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Figure 2. The number of microfinance institutions by country
(Source: Authors based on MIF-IDB data, 2013).

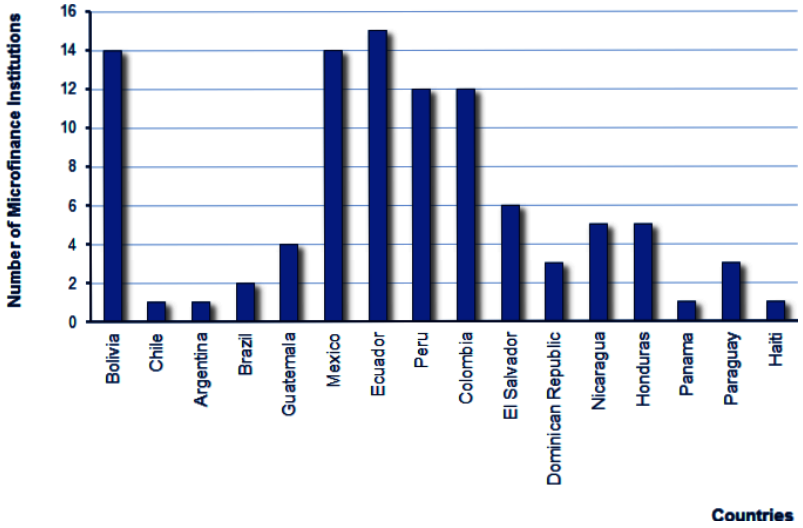
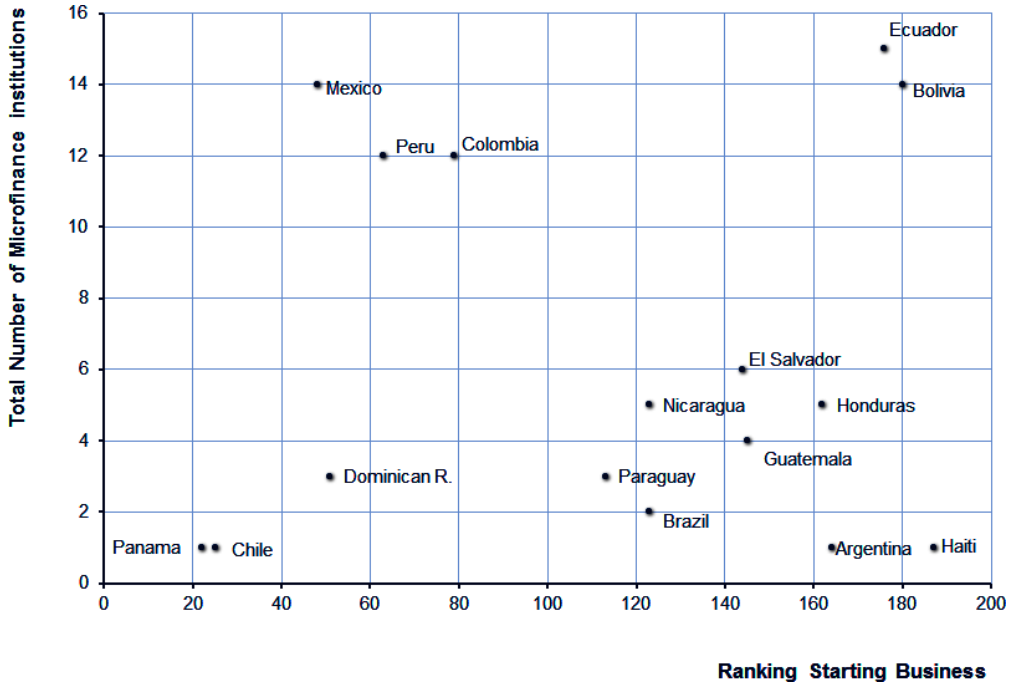


Figure 3. Number of microfinance institutions and ease of starting a business
Source: Authors analysis based on MIF-IDB data, 2013 and World Bank Data Ease of Doing Business, 2013.



to the World Bank. Starting a business which is related to entrepreneurship represents one of the main sources of growth and development in countries around the world, and this becomes even more important in the case of developing countries. For entrepreneurs, the access to capital is a critical aspect for their activity, and therefore we aim to understand how in terms of 'ease' it is to start a business in different

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developing countries within Latin America. This allows us to understand possible links with the presence of a strong or weak microfinance industry in a given country.

The data shows no potential link between the number of microfinance institutions and the ease of starting a business in a country. Microfinance seems to prosper both in Bolivia, which ranks 180th in the world for starting a business, and in Mexico, a country that ranks pretty well in terms of 'starting a business'. In a similar fashion Peru and Colombia show an important number of microfinance institutions and a positive performance in starting business procedures. The data however does not support the perspective that there could be a link between the number of procedures and days required to start a business and the number of microfinance institutions. Countries, such as Chile and Panama that rank very well in starting a business have a low and similar number of institutions, while Argentina and Haiti, which have a low ranking in terms of ease of starting a new business, rank very poorly.

An element that may be linked with the development of microfinance institutions in Latin America is the financial market development of a given country. To measure the financial market development, we used the indicator offered by the WEF Ranking on Competitiveness 2013-14, and this includes the following variables:

- Availability of financial services
- Affordability of financial services
- Financing through local equity market
- Ease of access to loans
- Venture capital availability
- Soundness of banks
- Regulation of securities exchanges
- Legal rights

Figure 4 shows that in the countries where microfinance is more developed there is a medium level of financial market development, and these countries include Ecuador, Mexico, Colombia, Peru and to some extent Bolivia. A number of countries, such as Argentina, Chile, Haiti, and Panama all rank poorly. The Central American countries, such as El Salvador, Nicaragua, Honduras and Guatemala have a decent number of microfinance institutions and show a medium level of development with respect to their financial markets.

The data analysed could support the idea that further empirical studies are needed to test the effect of the relationship between the level of financial development in a given country and the development of the microfinance institutions there. Figure 4 may offer different interpretations about the impact of financial development on the microfinance industry. However, clearly there are also other factors to take into account, such as the rule of law, corruption levels, the number of micro-entrepreneurs, SMEs, and MNEs in a given country, the overall levels of poverty, and type of poverty (rural/urban). These issues could be part of a larger empirical study that could be conducted to further assess the impact of the financial market development.

The analysis undertaken based on the Inter-American Development Bank data interestingly demonstrates that in Latin America the main microfinance institutions offer loans targeting micro-enterprises rather than individual consumers. It appears to be that only in a few countries, including Mexico, Ecuador, Peru, Colombia and Paraguay there is a growing presence of microfinance institutions that focus their portfolios toward the pure consumption side, rather than microenterprises (see Figure 5).

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Figure 4. Number of microfinance institutions and financial market development
(Source: Authors analysis based on MIF-IDB data, 2013 and WEF Competitiveness Report data, 2014).

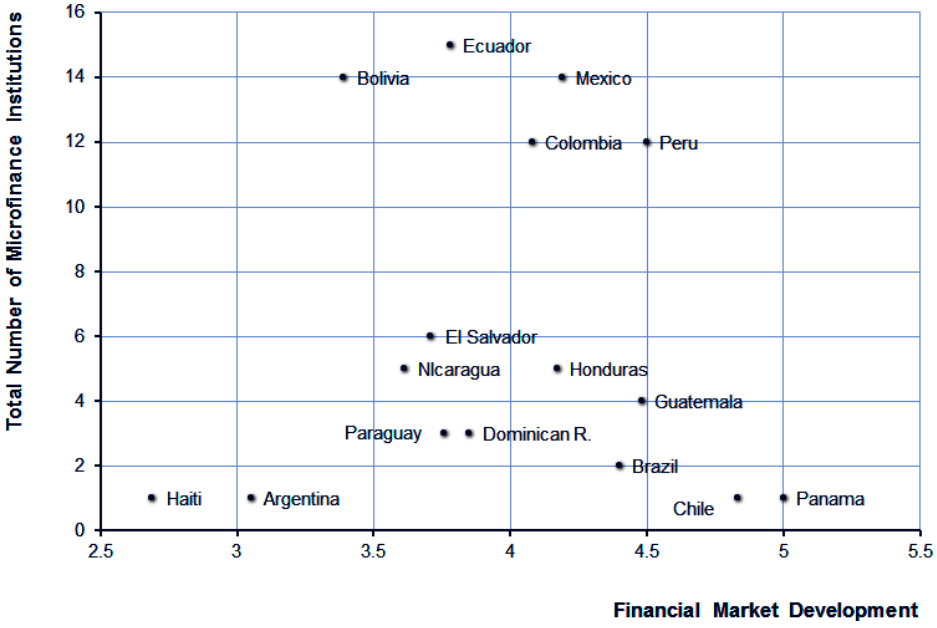
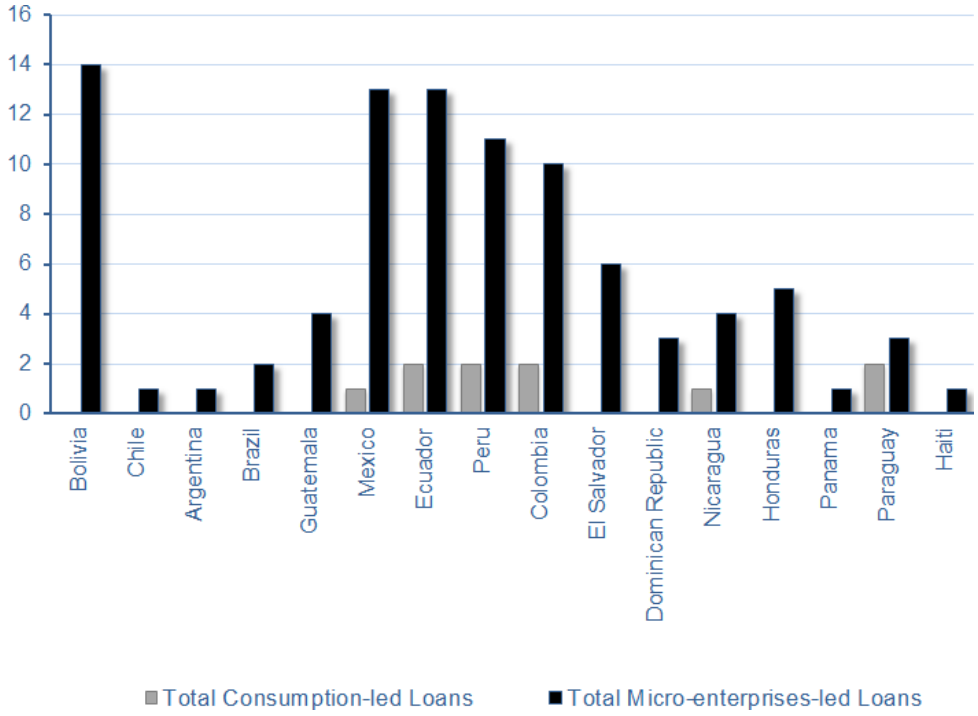


Figure 5. Microfinance led loans
(Source: Authors analysis based on MIF-IDB data, 2013).



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Our view is that government should bring more incentives to further expand microenterprise led MIFs as they can further contribute to the development and growth of entrepreneurs who will be responsible for generating more prosperity and jobs in a country.

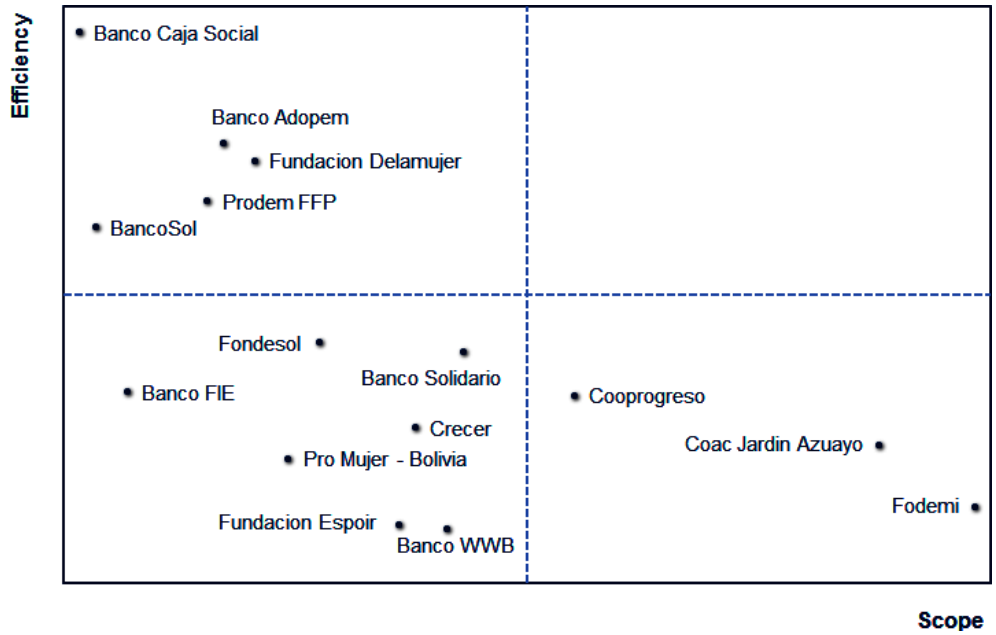
Figure 6 is company based and shows the top 20 companies ranked by the Inter-American Development Bank in terms of scope and efficiency. One of the most interesting insights from the data is that there is a polarization between the microfinance institutions in Latin America. There are insitutions that tend to be very efficient and those which tend to expand their scope; however, none of them seem to be capable of combining these two aspects (see Figure 6). Furthermore, we introduce Figures 7 and 8, which go further by mapping out the microfinance institutions according to the loans provided by the gross portfolio of loans (Figure 7 illustrates this for microenterprise loans, while Figure 8 illustrates this for consumption loans).

We conclude this section with a case study on BancoSol (Box 1). This briefly illustrates that despite the difficult institutional environment and the number of economic problems the country has faced, BancoSol has emerged as one of the best microfinance institutions in the world. Following this, we move on to implications and future directions before concluding this chapter.

IMPLICATIONS FOR POLICYMAKERS AND PRACTITIONERS

Policymakers in Latin America need to devote attention to the creation of more microfinance institutions, and this can be accomplished by offering tax incentives for entrepreneurs. There is a need to devise and implement strategies that allow local financial markets to be more transparent and improve the access to capital.

Figure 6. Microfianance institutions based on efficiency and scope
(Source: Authors analysis based on MIF-IDB data, 2013).



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Figure 7. Loans to microenterprises and gross portfolio of microenterprise loans
(Source: Authors analysis based on MIF-IDB data, 2013).

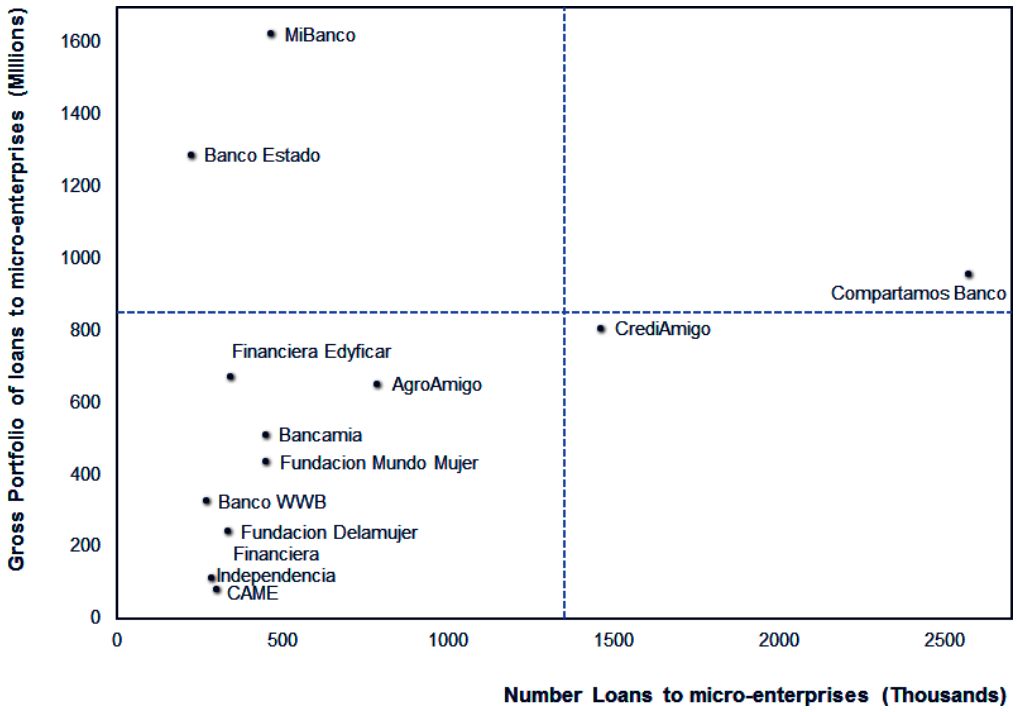
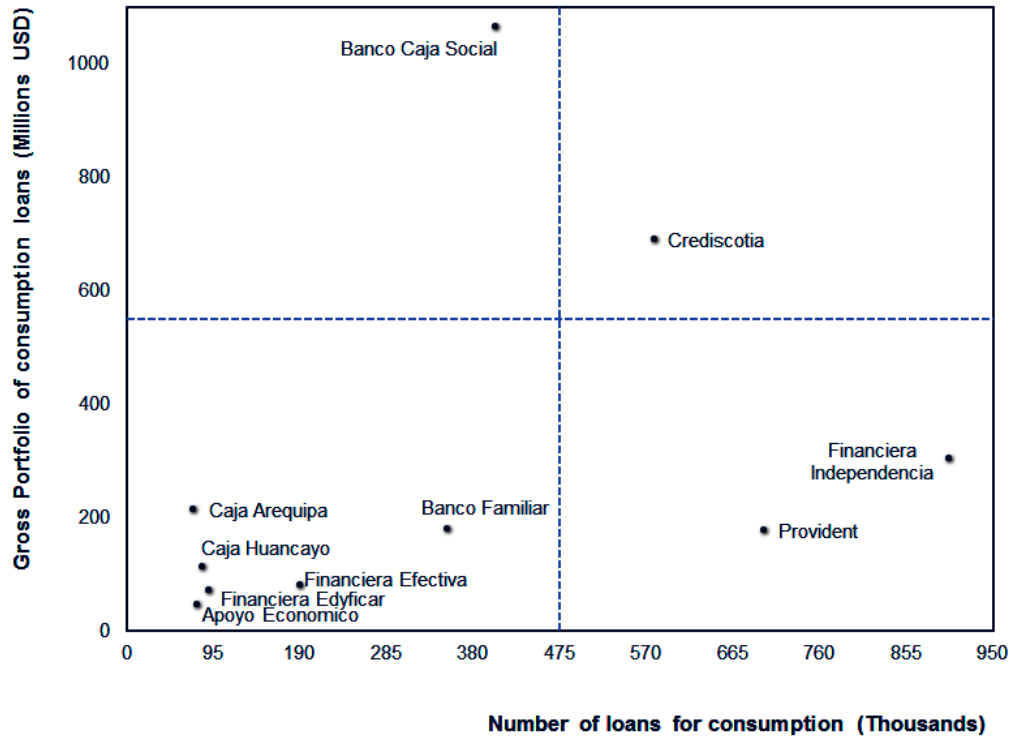


Figure 8. Loans for consumption and gross portfolio of consumption loans
(Source: Authors analysis based on MIF-IDB data, 2013).



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Box 1. BancoSol in Bolivia

Bolivia used to be considered as one of the least developed countries in Latin America. With a population of 9.5 million inhabitants made of members belonging to different ethnic groups in the country, Bolivia represents a unique nation with different geographical, economic and social challenges. In 1985, the country suffered one of the worst economic crises in its history. The country experienced hyper-inflation, and between 1982 and 1986 the GDP showed a negative rate of -3.4% and public debt reached 25% of the GDP. During the years 1993-1998, the country experienced a strong period of growth, only to fall again in 1998 into an economic crisis driven by different external and internal shocks. The political side like the economy also showed a similar instability

With this historical events and a mix of poor policies, the country generated a large mass of unemployment and people who did not have any access to credit. During the 80s the first NGOs offered microfinance services, while later several of them transformed into "Fondos Financieros Privados" (FFP), a small financial entity specialized in offering micro-loans and financial services. These institutions were able to serve these consumers through a mix of methodologies, including: solidarity-based groups, individual loans, and city-banks. The three approaches used different guaranty systems for the bank.

BancoSol was initially funded through the funding of PRODEM, the USAID, and other NGOs. Banco Sol initially offered only 3 types of products: medium-term deposits, solidarity-based loans, and short-term deposits. The typical loan was on average US$100 with a return period of 2 months. The banks employees undertook long periods of fieldwork sessions in order to better know and understand the local community, who were their clients. 75% of the people working for BancoSol were women with social science backgrounds. The group proved to be successful until the end of the 90s when Banco Sol started to face serious problems.

During 2000-2004 BancoSol developed a new strategy to regain competitiveness once again. Among the measures taken that allowed the company to grow again was the methodology known as "CAMEL", which was based on a more complex approach to evaluating clients, but also changes in the commercial areas with a new portfolio of products, and a strong innovation with respect to the bank's information system. It can be argued that BancoSol is one of the most successful microfinance institutions in the world.

Source: based on Caballero, and Melgarejo (2005). Banco Solidario S.A. La estrategia de recuperación, 2000 – 2004. INCAE Business School.

It is recommended that governments actively create financial markets designed specifically for microfinance institutions. As commercial banks have access to capital at low interest rates, this is not available or specifically designed for smaller microfinance companies. It is suggested that governments implement policies to create such an environment whereby microfinance institutions can access capital from a wider range of sources, including people from the general public. The authors believe this to be a possible avenue that governments can explore further as it allows benefits to both parties involved in the exchange process. The general public are given opportunities to invest with the aim of making a return on their investment (different to no-profit organisations), and can do so with a conscience and a feel good effect. At the same time this provides microfinance companies with capital from a wider range of sources.

Programmes are needed that allow people at the BoP to understand the procedures and benefits of using formal lenders to access capital. There should be nationwide programmes that are included in schools so that those at the BoP can understand microfinance at an early age and become more familiar with this channel for accessing credit.

It is important that new policies implemented take into account the successful companies that are profitable and have a proven track record. Studying these cases will offer much on two fronts; firstly, it allows policymakers to understand how successful strategies were devised and how these can be replicated and contribute to frameworks and guidelines for other firms to follow. Particular attention needs to be paid to innovative non-profit organisations, such as Kiva which connects people by leveraging the internet and a worldwide network of microfinance institutions to reduce poverty. People can help create opportunities around the world by lending as little as US$25 (Kiva, 2014). This idea of utilizing the web and building networks with microfinance institutions are a model to be studied with objective of contributing to policies that can aid access to credit. Secondly, it will allow policymakers to understand what aspects of microfinance models needs to be addressed so that existing barriers can be tackled and removed.

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For practitioners, the importance of business scope and efficiency merits significant attention. More is needed in terms of understanding and studying microfinance business models and the way they operate. In our chapter we pointed out that existing firms in Latin America are only able to focus on efficiency or scope but not both, and what is needed is a deeper understanding as to why this appears to be the case. Is there a way that existing models can be adapted or changed in such a way that both are achieved? Practitioners working with microfinance institutions need to devote more effort to understanding this issue. Understanding polar cases would yield interesting perspectives, for example, the microfinance company Banco Caja social in Colombia ranks high in terms of efficiency, but poorly in terms of scope, and this is in sharp contrast with the Ecuadorian firm FODEMI.

FUTURE RESEARCH: MOVING FORWARD

It is clear that a deeper understanding of strategic segmentation of the microfinance institutions is needed, according to their portfolio orientation. The field would highly benefit from a firm and individual level or unit of analysis. For example, it would be interesting for research to investigate and compare at a firm level the successful and unsuccessful firm strategies devised and implemented. In addition to this, formal lending institutions could be compared with informal lenders, as this will allow the field to better understand the practices of both types (Ayyagari, Demirguc-Kunt, & Maksimovic, 2007; Tsai, 2004). Longitudinal studies are needed that study firms serving the BoP over time, in order to uncover if strategies implemented are not only successful, but are ethical and sustainable. Therefore, we encourage firms to serve the BoP, and to do so in such a way that corporate social responsibility is at the heart of their ethos. Measuring the impact of microfinance institutions in terms of reducing poverty requires further attention, as some scholars believe this has been exaggerated and remains unclear. There needs to be a shift away from measuring success based on the growing number of loans and institutions, and a move toward measuring poverty reduction.

Research on SMEs and the decision making process at an individual level would be insightful. More research is needed that uncovers the way managers evaluate opportunities and perceive risk. Studies are needed that investigate those at the BoP as producers, rather than viewing poor people only as consumers. Research needs to be undertaken in many regions, not only Latin America, but Africa and the Middle East so that the best practices adopted by successful firms can be identified and possibly tested in other parts of the world. Although it can be argued that every emerging market is unique with its own institutional and cultural environment, it is still possible that some universal themes or principles that are relevant to other contexts can emerge.

An increasing number of scholars within the field of International Business (IB) have emphasised the need to move research forward. Buckley (2002) explained that the IB research agenda had stalled due to the lack of 'big questions' to guide future research. In addition to this, Buckley and Ghauri (2004) suggested that the big question could indeed be globalisation and its driving forces. Indeed a number of IB scholars have undertaken research and shown interest on MNEs and global poverty reduction (Ghauri and Buckley, 2006; Jain and Vachani, 2006; O'Brien and Beamish, 2006), and this has potential to offer exciting and fruitful research opportunities. MNEs and SMEs targeting the BoP and contributing to poverty alleviation in a sustainable and ethical manner should be another big IB research strand. For example, there is plenty of scope for international business scholars to be involved, particularly those researching firm behaviour. Future research could investigate the paths of internationalization pursued

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by microfinance companies, and how they adjust their strategies and organisational structures in foreign markets to serve BoP consumers. It is here we argue that there is a potential for a strong intersection of two fields: strategy and IB. If again we turn our attention to the example of Kiva, we can see opportunities with respect to understanding the internationalisation process of lending institutions that make use of the web for people at the BoP.

CONCLUSION: A FINAL THOUGHT

The purpose of this chapter was to review literature on the BoP, and we began broadly before specifically focusing on microfinance. Using secondary sources, we mapped out microfinance companies operating in Latin America that serve the BoP. We strongly believe that a number of sectors can help alleviate poverty, while other sectors are not deemed as effective or are better understood from marketing perspectives, such as discretionary led sectors. There are still plenty of research opportunities as stated in the future research section of this chapter. We advocate that scholars continue to explore concepts and approaches to BoP that enlighten the field with a better understanding of e.g. the role of SMEs, and how firms devise and implement successful, responsible, and ethical strategies, to name a few.

Trust is an important underlying theme and is central to microfinance and the BoP, and this is supported by Sriram (2005). From the lenders perspective, they need to trust that the poor can repay their loans, while in turn the poor need to trust companies if they are to engage with them and move away from informal lenders, which have been prevalent in some countries. Trust is the foundation, and this is why we advocate that firms adopt long term visions and adopt strategies in an ethical and responsible manner. We strongly recommend that more exploratory research on the BoP is conducted with strong policy implications. Only then can we offer pragmatic solutions to tackle poverty, and move one step closer towards alleviating it.

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Chapter 6
Youth Engagement in the Era of New Media

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ABSTRACT

Contextualized within the popularity of new media, youth engagement is a very important concept in the practice of public involvement. Guided by the current literature on youth engagement and media studies, this chapter examines the key engagement-related notions involving youth and media usage. Being informed by a variety of case studies on youth engagement through the use of media within various contexts globally, the chapter discusses the opportunities and challenges of engaging youth through media usage. The specific notions covered in this chapter include: 1) the role of "hybrid" media in youth engagement; 2) "intersectionality" illustrating the diversity of youth populations and their media usage; 3) meaning-making through media usage among youth; and 4) building global social relationships and social and cultural capital through youth's media usage. Importantly, the use of new media can be seen as a means of reclaiming and reshaping the ways in which youth are engaged, as key meaning-making processes, to address personal, social, and cultural issues.

INTRODUCTION

Occasioned by the rise of new media, engaging youth in the practice of public involvement presents both opportunities and challenges in our increasingly global society. Guided by the current literature on youth engagement and media studies, this chapter will examine the key engagement-related concepts involving youth and media usage. By combining practice-based accounts with theoretical insights, the chapter will provide critical analyses and interpretations of empirical data from local/regional, national, and international case studies on youth engagement through the use of media. Specifically, attention will be given to how new and traditional media is being applied to youth engagement in international socio-political contexts. Broadly, the chapter will discuss the opportunities and challenges of engaging youth through media usage.

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A key argument emphasized in this chapter is that hybrid forms of communications through digital and social media, face-to-face interactions, and traditional media can promote youth engagement, in which relationship-building (both within youth and between youth and adults) is a critical concept. Another main argument is that appreciation of the diversity of youth populations and their media usage from an intersectional perspective is essential to better understand the ways in which youth are engaged via media that can provide meaning-making, for example, on identity and cultural issues. Briefly, an intersectional framework addresses the complex ways in which the *key axes of power* in society (e.g., gender, race/ethnicity, class, ability, sexual orientation) intersect with each other (Crenshaw, 1995; Garnets, 2002; Iglesias & Cormier, 2002). In addition, the chapter suggests that youth engagement through media usage can help build global social relationships and social capital and can facilitate a youth-led transformation of our society to address social justice issues. Importantly, such multi-media usage can provide youth with creative outlets for civic engagement, community connections, and meaning-making within their lives.

In particular, this chapter posits that meaningful youth engagement is a key concept for both positive youth development (PYD; Alicea et al., 2012; Delgado, 2002; Lind, 2008) and social justice youth development (SJYD; Cammarota, 2011; Gharabaghi & Anderson-Nathe, 2012; Ross, 2011) and facilitates social/system change to more effectively support youth (Blanchet-Cohen & Salazar, 2009; Davidson et al., 2010; Yohalem & Martin, 2007; Wexler et al., 2009). Indeed, the integration of PYD and SJYD is proposed applicable to the use of hybrid forms of communications to promote youth engagement and development by appreciating the diversity of youth populations and their media usage (from an intersectional perspective), and by promoting meaning-making and social capital, and to facilitate a youth-led/guided transformation of our society to address social justice issues. Importantly, the power of youth in social change should not be underestimated, and this role can be effectively promoted by the use of hybrid forms of communications for youth engagement.

Accordingly, the chapter will address such concepts as "intersectionality," "meaning-making," and "global social relationships and social and cultural capital" to appreciate the diversity in the types and forms of youth engagement through media usage. Before describing each of these key concepts, the chapter will begin with summarizing a framework of PYD and SJYD and then providing insights into the role of various forms of media in youth engagement broadly.

POSITIVE YOUTH DEVELOPMENT (PYD) AND SOCIAL JUSTICE YOUTH DEVELOPMENT (SJYD)

Youth's media usage is seen as a key youth-engagement activity, which has significant implications for youth development (Conner & Slattery, 2014; Dedman, 2011; Garcia et al., 2015; Kahne et al., 2012). Two of the most popular concepts concerning youth development include positive youth development (PYD; Alicea et al., 2012; Delgado, 2002; Lind, 2008) and social justice youth development (SJYD; Cammarota, 2011; Gharabaghi & Anderson-Nathe, 2012; Ross, 2011). First, PYD seeks to promote a variety of developmental competencies that young people need at individual, social, and system levels to become productive, contributing members of society (Alicea et al., 2012; Ersing, 2009; Lind, 2008; Yohalem & Martin, 2007). Rather than a pathological focus, PYD adopts a holistic view of development, giving attention to youth's physical, personal, social, emotional, intellectual, and spiritual development, and emphasizes the strengths, resources, and potentials of youth (Alicea et al., 2012; Ersing, 2009; Lind, 2008; Yohalem & Martin, 2007).

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Second, SJYD involves youth's awareness of their personal potential, community responsibility, and broader humanity, and the engagement in social justice activities that counter oppressive conditions (Cammarota, 2011; Gharabaghi & Anderson-Nathe, 2012; Ginwright & James, 2002; Ross, 2011). Specifically, SJYD involves a critical analysis of social, economic, and political factors including race, gender, class, and culture, and addresses the systemic root causes of community problems (Suleiman, Soleimanpour, & London, 2006; Wilson et al., 2006). Importantly, the integration of PYD and SJYD conceptually supports the vital role of youth as a proactive agent for changes at personal (e.g., self-identity; constructive behaviours), social (e.g., advocacy for social change), and community (e.g., policy and practice change from social justice perspectives) levels (Ross, 2011). Accordingly, these two concepts will be considered as a key framework throughout the chapter.

The Role of "Hybrid" Media in Youth Engagement

Research has shown that the optimal use of digital and social media can complement and strengthen face-to-face interactions and traditional media, supporting the role of hybrid forms of communications in promoting youth engagement. Specifically, hybrid communication methods including various forms of politically driven, nonpolitical interest-driven, and friendship-driven online participation have been shown to promote youth engagement and youth activism (e.g., Chan & Guo, 2013; Kahne et al., 2011; Xenos et al., 2014). For example, Conner and Slattery (2014) reported the efforts of the Philadelphia Student Union, using the youth-led hybridization principle of social movements that combine online/new/informal and real-world/traditional/formal activism. In particular, their study showed how "youth organizing" through the use of new media offers a bridge across the three divines (the academic achievement gap, the digital participation gap, and the civic engagement gap) and facilitates the digital literacy, civic engagement, and academic achievement of low-income youth of color who might otherwise experience limited opportunities in these domains. Youth organizing refers to "a strategy that trains young people to engage in collective action to improve the institutions in their communities that directly affect them" (Conner & Slattery, 2014; p. 18). Youth organizing has implications for youth engagement and public involvement through hybrid forms of communications and activism.

The importance of hybrid media systems and public spaces is further demonstrated through the use of different media platforms and online and offline spaces that reinforce one another and promote youth engagement and youth-led social and political movements. Sloam's (2014) paper reported such importance using four case studies to examine the role that the Internet and new media have played in the political mobilization of young Europeans. Specifically, four case studies (in Germany, Italy, Portugal, and Spain) highlighted the stories of young, highly educated 'stand-by citizens' who have become activated by crises of youth unemployment, frustration with politics and public policy, and anger with corporate greed into 'digitally networked action' utilizing new technology platforms. The new media also provided a central tool to directly appeal to citizens (particularly, the young and highly educated) and facilitate youth-oriented movements in the digital age without having to play by the rules of the old media or channel their energies through established political institutions (Sloam, 2014).

Also, the use of digital media has been shown to mobilize young people into more active engagement with civic and political life through deliberative activities in schools, democratic peer norms, news consumption, and citizen communication. For example, Lee et al.'s (2013) examination of the national panel survey of parent-child pairs — the Future Voters Study — emphasized the centrality of communication, whether at schools, among peers, or through the media, to youth engagement in civic and political life.

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Results indicate that information consumption through hybrid forms of traditional and digital media works through citizen communication to encourage civic engagement, including influences stemming from peers and schools onto civic engagement. Specifically, the results show strong online pathways to youth participation and engagement especially through news consumption and political expression via digital media technologies (Lee et al., 2013).

Using data from Dutch grade-eight students, van Kruistum et al. (2014) examined youth media lifestyles that encompass new media, traditional print-based media, and face-to-face (offline) interaction as "hybrid" forms. This examination was completed by exploring both interest-driven media engagement (e.g., for entertainment, to gain knowledge) and friendship-driven media engagement. They found four distinct media lifestyles defined in terms of:

1. The medium through which a particular media activity took place,
2. The social distance involved between sender and receiver, and
3. The function of the particular activity.

These youth-media lifestyles were named as:

1. ***Omnivores:*** *Appropriating all media for multiple functions in diverse social contexts,*
2. ***Networkers:*** *Staying connected with known others across offline and online,*
3. ***Gamers:*** *Specializing in a medium of entertainment within a distant social context, and*
4. ***Low-Frequency Users:*** *Not bringing offline interests and relationship online (van Kruistum et al., 2014).*

Such study is useful to better understand the diversity in youth media lifestyles.

Drawing on international survey data from mentoring program staff and volunteer mentors primarily in US and Canada, Schwartz et al. (2014) examined the use of digital and social media in youth mentoring relationships. Their findings show that this media use does not seem to detract from the closeness and quality of face-to-face mentoring relationships, but may actually supplement and strengthen them. The findings also highlight the importance of creating an environment of reciprocity and mutuality, and reducing the chance of shaming and patronizing youth. Relationship-building (both within youth and between youth and adults) is a critical concept in youth engagement, which can be facilitated by the optimal use of new media that can complement face-to-face interactions and traditional media, again, supporting the effective use of hybrid forms of communications (Schwartz et al., 2014).

Also focusing on the use of hybrid forms of media, Skoric and Poor's (2013) study with young people in Singapore examined how youth navigate between the traditional and new media for civic and political participation. They found that social media use is positively related to traditional political participation (because new media are a means for political mobilization and organization of citizens due to their low barriers to entry and quick diffusion of information), while also providing evidence of the continued importance of traditional media for political engagement. Keipi and Oksanen (2014) explored youth narratives of the interaction of both opportunities and risks in the use of social media by youth in Finland. Their findings illuminated the role of new media in youth need-fulfillment toward self-exploration/expression, self-determination, identity development, and relationship-building, as well as the social risks that youth's new media use involves (e.g., cyberbullying, harassment).

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Not surprisingly, the rapid dispersion of digital communication technologies in the last decade has spurred interest in how changes in communication technology might be reshaping and possibly reinvigorating youth's opportunities and inclinations for engagement. Research has been particularly focused on the engagement of young citizens, a population historically under-engaged and among the most active users of digital media. Existing literature suggests that recently created, online organizations will be most likely to embrace a newer, more youth-friendly communication style; those organizations working within the formal political realm may be most reticent (Bimber et al., 2012; Castells, 2009; Karpf, 2012). Wells' (2014) study of 60 organizations' (including government, interest groups, and community groups) communications through Facebook mainly confirms these expectations, but low levels of youth-friendly communications across the sample raise doubts about the likelihood of a civil society resurgence through social media.

In summary, research supports the role of hybrid forms of communications in promoting youth engagement by showing that the optimal use of digital/online and social media can complement face-to-face interactions and traditional media. Specifically, hybrid communication methods including various forms of politically driven, nonpolitical interest-driven, and friendship-driven online participation have been shown to promote youth engagement and youth activism. In particular, the youth-led hybridization principle of social movements combine online/new/informal and real-world/traditional/formal activism. The use of digital media has been shown to mobilize young people into more active engagement with civic and political life through activities in schools, democratic peer norms, news consumption, and citizen communication for the development of active citizens. Importantly, relationship-building (both within youth and between youth and adults) is a critical concept in youth engagement, which can be effectively facilitated by hybrid forms of communications. Furthermore, it is important to recognize the role of new media in youth need-fulfillment toward self-exploration/expression, self-determination, identity development, and relationship-building, as well as the social risks that youth's new media use involves (e.g., cyberbullying, harassment).

INTERSECTIONALITY: DIVERSITY OF YOUTH POPULATIONS AND THEIR MEDIA USAGE

Apparently, youth populations are diverse based on socio-demographic factors including: gender, race/ethnicity, age, social class, disability/ability, and sexual orientation. The framework of intersectionality is helpful to better understand influences of these diverse human characteristics on youth engagement via media. In particular, an intersectional framework addresses the complex ways in which the *key axes of power* in society (e.g., gender, race/ethnicity, class, ability, sexual orientation) intersect with each other (Crenshaw, 1995; Garnets, 2002; Iglesias & Cormier, 2002). Indeed, most people in our society have more than one identity in terms of gender roles, racial or ethnic identities, and identities related to social class, age, ability, and sexual orientation. These identities are linked to different experiences of social power, privilege, and oppression as related to the dominant culture. Intersectionality is a framework being used in various different disciplines (e.g., women's studies, cultural studies) to help recognize and analyze the multiple nature of identities and the interlocking systems of privilege and oppression in a non-additive sense within specific life contexts (Iwasaki et al., 2006; Razack, 1998; Ristock, 2002).

In addition to looking at such human characteristics separately, this section of the chapter will explore how young women and men with different races/ethnicities are engaged through various types of media.

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Besides the intersection of gender with race/ethnicity, I will give attention to the other dimensions of human diversity including sexual orientation, disability/ability, and social class. Through the lens of intersectionality, I will address in what ways and how the diversity among youth populations should be acknowledged to better understand opportunities and challenges of youth engagement through media.

One such community group characterizing the diversity of youth populations represents sexual minority youth. Research has shown that their engagement with online technology is a critical feature of their daily lives and development because this offers them with significantly safer spaces and vital community support and connectedness (e.g., Craig et al., 2014). For example, using a feminist, intersectional framework, Singh's (2013) qualitative study found a key theme for the use of social media to affirm one's identity as a transgendered youth of color and promote sense of connectedness. Also, Asakura and Craig (2014) explored resilience development in the accounts of lesbian, gay, bisexual, transgender, and queer (LGBTQ) youth, by analyzing videos posted for the *It Gets Better* social media campaign. The findings offer a nuanced look at the pathways to resilience development, which are described by four major themes emerged from the data:

1. Leaving hostile social environments,
2. Experiencing "coming out" in meaningful ways,
3. Re-membering the social environment, and
4. Turning challenges into opportunities and strengths.

For instance, "by re-membering, many participants have developed their own clubs of life with selective members who have supported them through difficult times and valued their beings" (p. 261), whereas "the difficulties they experienced as youths also prepared them well to manage their adult lives" (p. 262).

Another instance of the diversity in youth populations and their media usage involves everyday use of digital technology and online social media by adolescents and young adults with physical disabilities and complex communication needs. To exemplify this notion, those youths in Hynan et al.'s (2014) study showed a desire to use the Internet and online social media as it is perceived to increase opportunities for self-determination and self-representation, while enriching friendships. The wide diversity of literacy and communication skills among youth with disabilities, as well as accessibility challenges, mean that the use of a collaborative approach is vital, for example, through receiving technical and social support from educational settings, families, and friends (Hynan et al., 2014).

Along with the growth of research on young women, we have seen the emergence of research on ethnic youth, implying the intersection of gender with ethnicity contextualized within the notion of youth subculture (e.g., Clark, 2012; Dedman, 2011; Gunter, 2010). Originally, Blackman (1995) advanced the idea of "youth cultural forms" and Thornton (1995) adapted Bourdieu's theory of cultural capital to speak about "subcultural capital." As emphasized by Blackman (2014), subcultures attract attention in culture, society, and the media because these have been theorized as not merely distinct from, but also in opposition to, the dominant culture. The new forms of subcultural communication through social media are considered as a key domain to promote knowledge, flexibility, participation, and collectivity transmitted through a subcultural network (Hodkinson & Lincoln, 2008; Williams, 2011). Blackman (2014) argues that youth cultural identities based on consumption, in which communications through social media play a key role, are structured by both material and social conditions of inequality (e.g., various forms of "isms"), while engagement with youth subcultures at a social and political level is critical by looking at, for example, deviant behaviour, connectedness, and social change to address social justice issues.

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Importantly, the intersection of gender with ethnicity contextualized within the notion of youth subculture has implications for the broad topics of culture, society, and the media. Specifically, communications through social media play a key role in developing youth cultural identities. In this way, the use of media provides a key cultural sphere to create youth activist subcultures, which seek to contest a range of global injustices through collective means consistent with a SJYD framework described earlier.

For example, youth activist involvement includes the use of media, contextualized within the raced, classed, and gendered challenges of youth activist cultures from an intersectional perspective. To illustrate this notion, Kennelly's (2011) book, entitled "Citizen Youth: Culture, Activism, and Agency in a Neoliberal Era" explores youth activist subcultures undertaken as part of a year-long multi-sited ethnography in Canada's three largest urban centres: Toronto, Montreal and Vancouver. Specifically, the book examines the dilemmas and cultural dynamics of being young and politically engaged, including the use of media as a key cultural sphere. The book interrogates both macro-structural forces such as education, media, and politics, and micro-sociological factors shaping youth activists' lived realities, resulting in a portrayal of the day-to-day experiences of young people who seek to contest a range of global injustices through collective means. The major issues shaping youth activist engagement described include the use of media as a key resource to sustain activist involvement, and the development of raced, classed, and gendered activist cultures from an interactional perspective (Kennelly, 2011).

Contextualizing mobile media in teens' lives, Vickey's (2015) paper examines how ethnically diverse low-income, non-dominant teens mitigate reduced privacy levels in and through mobile technologies and social media, and with what consequences. Teens in the study utilized a variety of social media platforms (e.g., Facebook, Twitter, Tumblr, Instagram, YouTube) to reach different audiences, explore different identities, and form different communities. They deliberately used these multiple platforms as a way to cope with evolving privacy settings, social norms, and technological affordances — this was a deliberate strategy intended to resist social convergence (Vickey, 2015). As such, the boundaries of sharing and privacy are constantly renegotiated at the intersection of localized social norms, economic and social capital, and the technical affordances of particular platforms and devices. As shown in Vickey's study, mobile media provide youth with a sense of autonomy, independence, and privacy from adults (Ling, 2010) and facilitate more personalized forms of communication (Campbell & Park, 2008).

As an emerging form of culture, digital culture can be broadly defined as the multiple ways in which people engage with digital media and technologies in their daily lives (Livingstone, 2009). As a unique domain of digital culture, non-urban areas of a developing country would generate a distinct set of experiences. As shown by Pathak-Shelat and DeShano (2014), youth digital cultures in rural and small town India are influenced by and negotiate local, regional, national, and global discourses, for example, through homes, peers, schools, and official public messages. Youth in their study treat new media and technologies as one limited component of otherwise rich lives and social experiences. For example, financial interests that drive commercial aspects of digital culture obscure its layered power differentials through contradictory media experiences and end results (Pathak-Shelat & DeShano, 2014). Obviously, power dynamics play a role in the construction of digital culture among youth, which is contextualized both locally and globally.

As exemplified in this section, an intersectional perspective addresses the complex ways in which the *key axes of power* in society (e.g., gender, race/ethnicity, class, ability, sexual orientation) intersect with each other (Crenshaw, 1995; Garnets, 2002; Iglesias & Cormier, 2002). A variety of media forms, through which youth are engaged, address these power issues such as the intersection of various identities including gender roles, racial or ethnic identities, and identities related to social class, disability/

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ability, and sexual orientation. Indeed, these identities represent key factors for personal and collective experiences within the systems of social power, privilege, and oppression (Iwasaki et al., 2006; Razack, 1998; Ristock, 2002). In particular, the new forms of subcultural communication through new media promote knowledge, flexibility, participation, and collectivity transmitted through a subcultural network. Specifically, communications through new media play a major role in developing youth's cultural identities. Accordingly, the use of media provides a key cultural milieu to create youth activist subcultures, as a collective space to address social justice issues, in line with a SJYD framework. For example, youth activism includes the use of media, contextualized within the raced, classed, and gendered youth activist cultures from an intersectional perspective. Importantly, the use of new media can be seen as a means of reclaiming and reshaping the ways in which youth are engaged to address these power issues.

Meaning-Making Through Media Usage Among Youth

Another important idea is that the use of media in youth engagement is considered as an effective means of promoting *meaning-making* that can provide a variety of personal and collective benefits for youth. Meaning-making refers to the ways in which and how people gain meanings within life that are important for personal, social, cultural, spiritual, and community reasons (Markman, Proulx, & Lindberg, 2013; Park, 2010). Relevant to this chapter, the use of new media is seen as a key meaning-making process or activity to address identity, social/cultural, and power-related issues. For example, Halverson (2010) explored youth film-making as a medium for meaning-making, by seeing youth as producers of digital media. Her analysis demonstrated how films such as *Rules of Engagement* display the construction of a viable social identity where youth actively insert their understanding of:

1. How to represent complex portraits of how they see themselves,
2. How others see them, and
3. How they fit into their communities.

The study showed how youth (in particular, youth living within marginalized conditions) engage with and make sense of identity issues as a critical meaning-making process through the media they create (Halverson, 2010).

Mutere et al. (2014) examined the roles of popular culture, media, and the arts in the health-seeking concerns and behaviours of 54 homeless youth in California, USA, with a focus on what they saw as barriers and aids. Their findings highlighted the importance of a creative arts-media intervention (e.g., graffiti as a multi-media platform) for homeless youth to promote a sense of life-meaning, civic engagement, and positive community connections and health outcomes in an age-appropriate and culturally-sensitive way. Specifically, multi-media usage (e.g., poetry, screenplays, stories, and web-logs) provided homeless youth with creative outlets for civic engagement, community connections, and meaning-making within their lives (Mutere et al., 2014). In particular, a peer-to-peer mentorship has been found to be beneficial for "marginalized" youth to meet their desire for a sense of meaning as demonstrated through a quote from a street-involved youth in Mutere et al.'s (2014) study:

I like to write raps. I like to draw. I'm really talented at it. Marijuana doesn't stop me from that. Those are things that I know I have a gift in. It's like everyone else… electronics, computers, whatever the case may be… A mentor can help them get past that problem and help them go somewhere in life… 'Cause

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that's what most people feel like they don't have… no life-meaning. You can't just directly say "no". You have to explain to them and encourage them to do better now. (p. 282)

By focusing on the construction of meaning and identity, Zemmels' (2012) study with American teens (13-17 years of age) in New Orleans documented those participants' engagement with new media in networked spaces and the everyday practices that surround their participation. The findings showed a complex pattern of relationships between interpersonal communication channels, the relative immediacy and intimacy of the channel, and the social relationship between participants. This pattern appeared to have a structuring influence on everyday communication practices of youth in networked publics, as they negotiate and construct meaning (e.g., aesthetic and social meaning through visual media) and identity in these networked publics (Zemmels, 2012).

In addition, it is useful to consider the digital media creation, distribution, and consumption process as "storytelling" in a shared space, in which a variety of perspectives and meanings are presented (Lambert et al, 2007). Accordingly, the space in which stories are shared and collaborated on becomes an entity with a life of its own. As mobile communication media and the internet become more pervasive, young people from different cultures and communities are afforded more opportunities for sharing and collaboration across previously unbridgeable distances (Botha et al., 2009). Botha et al.'s (2009) study with five teenagers from USA and five teenagers from South Africa demonstrated the role of mobile phones and the web as mediating technologies in the development of intercultural competencies and communication skills. Specifically, their study has shown that mobile phones have a place in the creation of meaningful user-generated content for improved cross-cultural awareness and communication — as communication devices, they have progressed "from text to context" (Botha et al., 2009). Increasingly, technology facilitates the ways in which the youth around the world communicate, consume content, and create meaning (e.g., South African teens mindful of explaining local slang and the meaning of Afrikaans words to American teens) across diverse cultural contexts.

For another example, with 35 young people in Philippine between the ages of thirteen and twenty-six in four focus groups, Portus (2008) explored how the urban poor acquire, use, and ascribe meaning to the mobile phone. This study found that the mobile phone allows the urban poor to pursue their gender-defined functions more effectively, being a source of desire and envy, most apparently among the women, as a highly sought-after and increasingly vital, meaningful part of their lives (e.g., social role fulfillment), despite grinding poverty (Portus, 2008).

A recent special issue of *Educational Studies* on "Youth, New Media, and Education" featured several papers that examined youth as both consumers and producers of popular culture, which lies at the intersections of traditional media and new digital media. As the issue editors, Luschen and Bogad (2010) commented that "youth representations of themselves have the capacity to shape the cultural landscape, interrupt and collude with existing discourses of youth, and teach what it means to be a youth in all its complexity, within and across difference… Reaching across boundaries between conventional and new media, these texts illustrate the complexities that a newly constituted popular culture provides" (p. 454-455). Through the process of youth's negotiations using various media forms, they produce, consume, and learn about popular culture as ways of meaning-making in their daily lives. Importantly, the use of new media can be seen as a means of reclaiming and reshaping the ways in which youth are engaged, as key meaning-making processes, to address significant social and cultural issues.

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BUILDING GLOBAL SOCIAL RELATIONSHIPS AND SOCIAL AND CULTURAL CAPITAL THROUGH YOUTH'S MEDIA USAGE

Given the resurgence of digital and social media, youth engagement has become more globalized across cultural boundaries. One obvious outcome from this global process represents building cross-border social relationships and social and cultural capital facilitated by youth engagement through the use of media. For example, drawing from a comparative case study of the digital literacy practices of immigrant youth of Chinese descent, Lam (2014) examined the cross-border social relationships that are fostered between the youth and their peers in China. She showed how these cross-border relationships create unique social, linguistic, and cultural capital. The findings suggest that youth's online literacy practices need to be understood within the particular social fields/networks in which they are situated and how they allow the youth to navigate and take up a position within social fields across national boundaries. Importantly, media usage is considered as one of the significant and meaningful daily human activities within structured social spaces. Consequently, relationships built from using communication technologies can promote social capital (e.g., affiliations and networks) and cultural capital (e.g., cultural knowledge, skills such as bilingual or multilingual skills, and cultural dispositions/customs) (Bourdieu, 1991). Specifically described in Lam's study include "bridging capital" to connect with the monolingual majority population in society, and "bonding capital" to connect with the minority population, as well as transnational engagement and resource development in digital art.

For another example, de Haan et al. (2014) examined the networked configurations for learning of migrant youth in the Netherlands, in relation to particular offline and online connections, their historical geographies, the development of learning 'places,' and particular learning affinities. Specifically, they described three ethnically different groups:

1. Dutch youth as 'unrooted' learners (who are networked according to individually expressed interests for exploration),
2. Moroccan-Dutch youth as 'routed' learners (who form collective affinities and interests within same generation ethnically informed spaces), and
3. Turkish-Dutch youth as 'rooted' learners (defined by more collectively formed interests embedded in family and ethnically based networks).

This grouping shows examples of the diversity in globally dispersed, highly individualized yet collective networks within migrant youth to pursue tailored knowledge. Even within a single country at a local level, the development of global social relationships and social and cultural capital is a reality as increasingly facilitated by the use of media within youth populations internationally.

Furthermore, Garcia et al.'s (2015) study focused on civic engagement enacted through digital media participation by exploring the relationships between critical literacy practice, digital media production, and civic agency in the Council of Youth Research, a youth participatory action research program in Los Angeles, USA. In particular, their study articulates a vision of literacy that is tied to societal power structures as a way of building personal and social capital for the purpose of personal and social transformation. Specifically, the study highlights the ways in which student digital literacy production manifested powerful civic agency. The authors argue, "Academic and critical literacy development are crucial to beginning the process of empowerment for students to become critical consumers of information. When youth are empowered with the ability to make sense of the unjust conditions in their community and the

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skills to act, they become powerful agents of transformation" (p. 165). Importantly, meaning-making and mobilization of actions to address social justice issues are key empowerment and transformation processes, again, consistent with a SJYD framework described earlier.

Attractive to young people, modern music festivals have become sites of mediated brand management where commodified hyper-experiences are considered as new forms of contested cultural capital. As described by Flinna and Frewb (2014), the realm of music festivity has grown into a global circuit that responds to the demand for emotive experiential products and taps into postmodern themes that celebrate a lifestyle attitude of extended youth. Their study explored the phenomenon of festival culture through a case study of Glastonbury Festival of Contemporary Performing Arts in England. The study presented an innovative interpretation of festivity through multi and social media, showing that identity is a hybrid construct where the localised ephemeral and embodied experiences of festivity demand a simultaneously mediated and socially globalised reflection. The study portrayed that festivity is moving beyond management as it is increasingly dependent on the co-creative social media activity of consumers to perpetuate the fantasy and capital of festivity. This study depicted how festivity works in an age of ubiquitous social media where lifestyles are increasingly digitised and networked. Undoubtedly, the power of technology is a driving, transformational force in festivity as a form of building cultural capital.

As shown in this section of the chapter, youth engagement has become a more hybrid concept ranging from localized to globalized experiences across cultural boundaries prompted by the resurgence of digital and social media. Indeed, one key consequence of this emerging process includes building cross-border social relationships and social and cultural capital facilitated by meaningful youth engagement through the use of media.

SUMMARY AND CONCLUSION

Contextualized within the popularity of new media, youth engagement is a very important concept in the practice of public involvement. Guided by the current literature on youth engagement and media studies, this chapter examined the key engagement-related notions involving youth and media usage. Being informed by a variety of case studies on youth engagement through the use of media within various contexts globally, the chapter discussed the opportunities and challenges of engaging youth through media usage. Better understanding the ways in which youth use media for their engagement has significant implications for practice and policy on youth and public involvement at all system levels globally. The specific notions covered in this chapter include:

1. The role of "hybrid" media in youth engagement;
2. "Intersectionality" illustrating the diversity of youth populations and their media usage;
3. Meaning-making through media usage among youth; and
4. Building global social relationships and social and cultural capital through youth's media usage.

In summary, hybrid forms of communications through digital and social media, face-to-face interactions, and traditional media can promote meaningful youth engagement and youth activism, in which relationship-building (both within youth and between youth and adults) is a critical concept. Appreciation of the diversity of youth populations and their media usage from an intersectional perspective is helpful to better understand the ways of youth engagement and activism via media that can promote

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meaning-making, for example, on identity and cultural issues. In addition, youth engagement through media usage can help build global social relationships and social, linguistic, and cultural capital and can facilitate a youth-led transformation of our society to address social justice issues. Importantly, multimedia usage provides youth with creative outlets for civic engagement, community connections, and meaning-making within their lives.

As described earlier, meaningful youth engagement is a key concept for both positive youth development (PYD; Alicea et al., 2012; Delgado, 2002; Lind, 2008) and social justice youth development (SJYD; Cammarota, 2011; Gharabaghi & Anderson-Nathe, 2012; Ross, 2011) and facilitates social/system change to more effectively support youth and their families (Blanchet-Cohen & Salazar, 2009; Davidson et al., 2010; Yohalem & Martin, 2007; Wexler et al., 2009). Importantly, the integration of PYD and SJYD conceptually supports the vital role of youth as a proactive agent for changes at personal (e.g., self-identity, constructive behaviours), social (e.g., collective identity, advocacy for social change), and community (e.g., policy and practice change from social justice perspectives) levels (Ross, 2011).

Indeed, this notion (i.e., the integration of PYD and SJYD) is highly applicable to the use of hybrid forms of communications to promote youth engagement and development by appreciating the diversity of youth populations and their media usage (from an intersectional perspective), and by promoting meaning-making and social and cultural capital, as well as to facilitate a youth-led/guided transformation of our society to address social justice issues. The power of youth in leading/guiding social change should not be underestimated, and this role can be effectively promoted by the use of hybrid forms of communications for youth engagement. Importantly, the use of new media provides youth with opportunities to re-define and re-create the ways in which youth are engaged, as key meaning-making processes, to address identity, social, and cultural issues.

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Chapter 7
National Ethical Institutions and Social Entrepreneurship

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ABSTRACT

Using insights from institutional theory, the chapter proposes understanding ethics as national institutions that deeply influence social entrepreneurship. Moreover, the chapter proposes that low behavioral ethical standards (normative ethical institutions) provide opportunities for individuals to establish social enterprises. Furthermore, it proposes that high public-sector ethical standards (regulatory ethical institutions) and values of unselfishness (cognitive ethical institutions) facilitate and motivate individuals to establish social enterprises. The chapter also explores the combined effects of public-sector ethical standards and low behavioral ethics, public-sector ethical standards and societal unselfishness, and low behavioral ethics and unselfishness, on the creation of social enterprises. The chapter contributes to cross-cultural comparative entrepreneurship by suggesting, through a multilevel framework, the effects of societal-level ethical institutions on the creation of social enterprises.

BACKGROUND

Although the study of entrepreneurship and the study of business ethics have become important lines of inquiry, study of the intersection of entrepreneurship and ethics remains relatively new (Harris, Sapienza, & Bowie, 2009). In particular, examining what ethical factors drive socially responsible behaviors is a burgeoning area of interest among research scholars (Bacq, Hartog, & Hoogendoorn, 2014). Extant scholarship has examined ethical standards primarily at the individual level. Similarly, at the firm level, few studies have examined conceptually the mechanisms through which variation in societal-level institutions may specifically influence corporate social performance among firms (Jackson & Apostolakou, 2010). Some studies have empirically examined the role and effect of societal-level institutions across large datasets of countries (Habisch, Jonker, Wegner, & Schmidpeter, 2004; Ioannou & Serafeim, 2012; Jackson & Apostolakou, 2010; Jamali, Sidani, & El-Asmar, 2009).

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In the case of social entrepreneurship (SE), a growing line of inquiry among scholars investigating the intersection of entrepreneurship and ethics is the ethical or moral factors that drive social enterprises (Bacq et al., 2014). Scholarly discourses on SE appear to dwell on discussions that demand more ethical and socially inclusive capitalistic behaviors (Dacin, Dacin, & Tracey, 2011). Some examples include consumers increasingly looking for more ethically sourced and manufactured goods (Nicholls & Opal, 2005); increasing expectations for multinational organizations to behave in ethically and socially responsible ways (Friedman & Miles, 2001); and politicians under increasing obligation to pursue and implement policies that promote social equality, and reduce the harmful effects of business activities on the environment (Bernauer & Caduff, 2004). Extant research on entrepreneurship and ethics adopts the perspective of either entrepreneurship and ethics or entrepreneurship and society. The former perspective deals with the ethics of individual entrepreneurs, and the latter concerns questions related to social and economic implications of entrepreneurship (Hannafey, 2003).

Some of the key constructs scholars use to understand the influence of ethics on social entrepreneurship are ethical attitudes reflected in the responses to questions about right and wrong (Bucar, Glas, & Hisrich, 2003); a system of value principles or practices and the ability to determine right from wrong (Payne & Joyner, 2006); perceived importance of ethics, measured by obligations to stockholders and stakeholders (Shafer, Fukukawa, & Lee, 2007); and ethical attitudes in response to issues, concerns, and activities involving standards in society for what is morally right and virtuous (Franke & Nadler, 2008). Further, the Global Entrepreneurship Monitor's (GEM) research report on SE reports an average of 3.2% of new social entrepreneurial activity (or new social enterprises established or under establishment) across the 58 GEM economies (Bosma, Schøtt, Terjesen, & Kew, 2016). The report suggests this activity ranges from 0.3% in South Korea, to 10.1% in Peru. The reported cross-country variance suggests possible societal-level differences in countries, which have resulted in differences in the establishment rates of social enterprises.

These items imply the following observations. First, extant scholarship that has attempted to link ethics with social entrepreneurship has been using constructs interchangeably; therefore, the measures of ethics described above are similar, and capture all aspects of ethics. Second, national or societal-level differences may contribute to the differences in the establishment rates of social enterprises. This chapter addresses the identified gaps by proposing that ethics be viewed through different lenses, by developing an understanding of national or societal-level ethical institutions, and attempting to predict their influence on the creation of social enterprises. Further, the chapter uses the institutional configuration perspective (Stephan, Uhlaner, & Stride, 2014) to understand the joint effects of societal-level institutions. It suggests a multilevel theoretical framework to understand the effects of societal-level ethical antecedents, and to predict the creation of social enterprises. In so doing, the chapter distinguishes one form of ethics from the other, and provides a framework for understanding the effects of ethical institutions at the societal level on the creation of social enterprises. The chapter further contributes to the calls for research to examine the effects of context on entrepreneurship (Welter, 2011).

The chapter is organized as follows. In the next section, a brief discussion of SE precedes discussions on context and its relevance to entrepreneurial research. Then, societal institutions (or institutions at the national level) and research on the interface between ethics and social entrepreneurship are discussed. There follows a discussion of the suggested conceptual framework, and development of propositions related to the effect of societal-level ethical institutions on the creation of social enterprises. Finally, discussion of and elaboration on the propositions leads to suggestions for future avenues of research.

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SOCIAL ENTREPRENEURSHIP

Entrepreneurship involves the identification, evaluation, and exploitation of opportunities that are present in society (Shane & Venkataraman, 2000). Typically, such situations represent opportunities to bring new products or services into existence in society, such that individuals or firms can sell their outputs at prices higher than their cost of production (for a detailed review on opportunities and entrepreneurship, please refer to Eckhardt and Shane, 2003). However, the understanding in this definition is that the fundamental objectives of such entrepreneurial activities involve profit generation, and these profits help entrepreneurs to build their personal wealth (Certo & Miller, 2008). In the recent past, SE, a subdiscipline in the area of entrepreneurship, has been gaining attention among both academics and practitioners working in the area of entrepreneurship, due to its potential to address societal problems such as poverty and illiteracy (Certo & Miller, 2008; DeLeon, 1996; Estrin, Mickiewicz, & Stephan, 2013a).

As defined in the literature, SE involves the recognition, evaluation, and exploitation of opportunities presented in society that result in social value. SE creates value by bringing about catalytic changes in society (Waddock & Post, 1991). Organizations that have a particular social, environmental or community objective create such value (Bosma et al., 2016). This social value essentially addresses the basic and long-standing needs and concerns of society, in contrast to personal or shareholder wealth (Austin, Stevenson, & Wei-Skillern, 2006). Social value has little to do with profits, but instead involves the fulfillment of basic and long-standing needs such as food, water, shelter, education, and medical services, to those members of society who are in need. In order to better understand SE, Austin et al. (2006) distinguished between two types of entrepreneurship: commercial entrepreneurship (CE) and SE. In their framework, CE represents the identification, evaluation, and exploitation of opportunities in societies that result in profits; whereas SE refers to the identification, evaluation, and exploitation of opportunities in societies that result in social value. Opportunity awareness and recognition is an important ability of an entrepreneur running any form of enterprise (social or commercial) to exercise when either supply or demand for a value-creating product or service exists in society (Kirzner, 1973).

SE has gained both academic and practitioner interest due to its potential for addressing societal problems such as poverty and illiteracy (Estrin et al., 2013a; Seelos & Mair, 2005). A social entrepreneur is an individual running an enterprise, working for his or her own account, while primarily pursuing prosocial goals—that is, goals that are set to benefit individuals in society other than the entrepreneur (Bierhoff, 2002). The occupational definition of entrepreneurship explains the first part of the definition above: working for one's own account (Hébert & Link, 1988). This definition, however, does not specify the types of goals that entrepreneurs can pursue, such as economic wealth versus social value, and hence the definition applies to both commercial and social entrepreneurs (Stephan et al., 2014). The focus on prosocial goals and social value creation, over economic wealth creation, differentiates social from commercial entrepreneurs and their respective enterprises, and is consistent with recent definitions of SE (Mair & Marti, 2006; Zahra, Gedajlovic, Neubaum, & Shulman, 2009).

In summary, through an acute understanding of social needs, social entrepreneurs fulfill these needs creatively through their enterprises. This focus on social value is consistent across the various definitions of SE (Peredo & McLean, 2006), as opposed to the focus on private or economic wealth that differentiates them from CE. The study of SE spreads through politics and the media (Dey, 2006), and it legitimizes and gives identity to social entrepreneurs and their enterprises, those individuals who run enterprises concerned with a variety of issues including poverty, concerns about the natural environment, and social inequality (Dacin et al., 2011). Therefore, it is important to understand social entrepreneurial behavior in the context in which such entrepreneurs operate.

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CONTEXT AND ENTREPRENEURSHIP RESEARCH

While in Latin, "context" means to weave together or to make a connection (Rousseau & Fried, 2001), in management research it refers to the conditions external to a phenomenon that facilitate it or constrain it (Welter, 2011). Some examples that define context refer to surroundings associated with specific phenomena that help illustrate them (Capelli & Sherer, 1991) and stimuli that exist in the surrounding external environment (Mowday & Sutton, 1993). Context also includes situational opportunities and constraints that influence or affect behavior (Johns, 2006). Consideration of context in entrepreneurship is not new (Welter, 2011). Any economic behavior can be understood better within the context in which it is observed (Low & MacMillan, 1988). Contexts may be social (Granovetter, 1985), spatial (Katz & Steyaert, 2004), or institutional (Polanyi, 1957). Scholars studying entrepreneurial phenomena have therefore suggested recognizing the importance of the context in which entrepreneurship occurs. Researchers "have a tendency to underestimate the influence of external factors and overestimate the influence of internal or personal factors when making judgements about the behavior of other individuals" (Gartner, 1995, p. 70). This chapter examines societal institutions or dimensions of institutional context for their influence on SE.

Societal Institutions

A society's institutional context consists of stable rules, social norms, and cognitive structures (Scott, 1995). It sets the framework for market transactions by defining the ''rules of the game'' (North, 1990, p. 1) and by specifying the conditions under which firms are legitimate (Meyer & Rowan, 1977; Spencer & Gomez, 2004). Extant research reveals that institutional contexts influence a firm's strategic activities, the growth of foreign partnerships (Steensma, Tihanyi, Lyles, & Dhanaraj, 2005), and differences in entrepreneurial activities (Bruton, Fried, & Manigart, 2005; Busenitz, Gomez, & Spencer, 2000; Casson, 1992).

Institutions are therefore key aspects of social structure, which provide strong guidelines and constraints for behavior (North, 1991, 2005; Scott, 2005, 2008). They are taken-for-granted rules that are either explicit and perceived by individuals, or acting as implicit guidelines for individual behavior and actions (Powell & DiMaggio, 1991). Institutions are further divided into formal and informal institutions (North, 1990). Formal institutions are explicit, objective incentives and constraints, the consequence of government regulation of individual and organizational actions (Bruton, Ahlstrom, & Li, 2010; Scott, 1995, 2005, 2008). Formal institutions are more related to the political and economic environment that creates or restricts opportunities for entrepreneurship (Welter, 2011).

Some examples include laws and regulations for market entry and exit, or private property regulations (Welter, 2011). Informal institutions are more implicit, culturally transmitted, and socially constructed (Stephan et al., 2014). These institutions include the norms and attitudes of individuals in a society, and influence opportunity recognition, opportunity exploitation, and access to resources (Welter, 2011). Some examples include the values of trust, in-group collectivism, and the value society generally accords to entrepreneurship (Pathak & Muralidharan, 2014; Welter & Smallbone, 2008).

Scott's (1995, 2005) work further divides institutions into a three-pillar framework that considers formal institutions regulatory, and further differentiates informal institutions into cognitive and normative. Cognitive and normative arguably correspond to the concepts of cultural values and practices in cross-cultural research (Javidan, House, Dorfman, Hanges, & De Luque, 2006). Regulatory institutions

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include laws, regulations, and government policies that facilitate certain behaviors and constrain others (Busenitz et al., 2000). Normative institutions essentially define the various behaviors and values expected of individuals or organizations (Scott, 1995). These are often visible through shared norms about the appropriate behaviors in a particular profession (Bruton et al., 2005).

These institutions basically describe social obligations and expectations for appropriate actions, modeled on existing dominant practices or norms in a given society (Bruton et al., 2010; Javidan et al., 2006; Scott, 2005; Stephan & Uhlaner, 2010). Finally, cognitive institutions reflect how certain knowledge sets have become institutionalized and form part of a shared social understanding or shared values (Zucker, 1991). Specifically, these institutions include the culturally shared understandings in society closely associated with cultural values (Bruton et al., 2010; Javidan et al., 2006; Scott, 2005; Stephan & Uhlaner, 2010, Stephan et al., 2014). In summary, institutions can be described as widely diffused practices, regulations, or rules of social interaction, which have become entrenched in society, in the sense that it is difficult to choose alternative practices, technologies, or rules (Lawrence, Hardy, & Phillips, 2002). Ethics are now examined as societal or national-level institutions, in order to understand ethical antecedents of social entrepreneurship.

Ethics

A survey of literature by Harris et al. (2009) reveals that existing academic literature connecting ethics and entrepreneurship falls into one of three areas: entrepreneurial ethics, entrepreneurship and society, and social venturing (or SE). While the literature covering entrepreneurial ethics is primarily concerned with the ethical dilemmas involved in setting up new enterprises, the literature on ethics and entrepreneurship adopts a broader view of entrepreneurship, exploring the role of new enterprises in the relationship between business and society (Harris et al., 2009). Social venturing, or SE, is considered an important topic at the intersection of ethics and entrepreneurship, and covers six broad areas of research (Harris et al., 2009): defining SE, discussing ethical concerns in setting up a social venture, covering the measurement of the performance of a social enterprise, examining disenfranchised entrepreneurs, discussing the differences between social ventures and traditional ventures, and discussing the role of purpose in a social venture. This research has paid scant attention to societal-level ethical attitudes (Franke & Nadler, 2008).

Societal-level ethical attitudes comprise people's cognitive, affective, and behavioral predispositions to respond to issues, concerns, and activities involving standards in society for what is morally right and virtuous (Franke & Nadler, 2008). While various frameworks of ethical decision-making (see Ferrell, Gresham, & Fraedrich, 1989; Hunt & Vitell, 2006; Srnka, 2004) suggest that ethical judgements depend on the nature of the consequences of the issue and personal traits of the decision maker, national culture is also an important influencer (Franke & Nadler, 2008). Extant literature has examined various aspects of ethical attitudes, such as sensitivity to the presence of ethical concerns (Sparks & Hunt, 1998), process of moral development in discussions on ethical concerns (Goolsby & Hunt, 1992), and the correctness of particular behaviors in situations involving dilemmas (Volkema, 2004).

Besides discussions on societal-level attitudes, extant research has also examined the influence of ethics as antecedents of different variations of social responsibility. In understanding the corporate ethical values of managers, Singhapakdi, Kraft, Vitell, and Rallapalli (1995) suggest that for managers to act ethically and socially responsibly, they should believe that ethics and social responsibility are important aspects of organizational effectiveness. Questions of what is right and wrong reflect ethical attitudes of managers (Bucar et al., 2003).

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At the firm level, actions of firms reflect attitudes concerning ethical concerns (Longenecker, Moore, Petty, Palich, & McKinney, 2006). Ethical frameworks are also considered to be systems of value principles or practices, and the ability to distinguish between right and wrong (Joyner & Payne, 2002; Payne & Joyner, 2006). Researchers have also examined the perceived importance of ethics in terms of the obligations that firms have toward various stockholders and stakeholders (Shafer et al., 2007). The high ethical standards that drive several professions, such as advertising, marketing, and medical services, also reflect their emphasis on ethics (Valentine & Fleischman, 2008). Finally, respect and concern for the environment are also the measure of ethical standards (Cambra-Fierro, Hart, & Polo-Redondo, 2008). Extant research also refers to the various traits or characteristics that comprise or define ethical leadership (Resick et al., 2011).

While all extant research has merit in associating ethical attitudes or drivers of ethics with performing socially responsible behaviors, the understanding of all types of ethics assumes ethics to be universal. The above discussion focuses on the individual level. In regard to ethical attitudes at the societal level, research is limited to the understanding of national culture as a driver of societal-level ethical attitudes. While ethical attitudes at the firm or individual level have been considered as drivers of ethically or socially responsible behaviors, this chapter attempts first to establish societal-level ethical attitudes as societal or national-level institutions, and then to predict their influence on SE. The understanding gained from this study of societal-level ethical institutions in the establishment of social enterprises can also extend to predicting socially responsible behaviors by commercial enterprises.

Societal Ethical Institutions and Social Entrepreneurship

Insights drawn from institutional theory and institutional configuration perspective establish ethical attitudes as societal-level institutions, in order to discuss the mechanism by which these institutions jointly influence SE (Stephan et al., 2014). The influence of formal institutions on entrepreneurship has been well researched, with several studies analyzing the effects of the formal and regulatory frameworks (e.g., Acs & Karlsson, 2002; Davidsson, Hunter, & Klofsten, 2006; Karlsson & Acs, 2002; Klapper, Lewin, & Delgado, 2009). For example, changes in technology policies, political factors or forces, and various regulations, can have decisive impacts on the occurrence and creation of new opportunities (Shane, 2003). A typical example of new opportunities being created for entrepreneurs is changes in the regulations in Eastern and Central European countries that permitted private organizations to lawfully exist (Smallbone & Welter, 2009).

The other area of research examines the influence of informal institutions on entrepreneurship. This group of studies specifically examines the role of informal institutions across countries. Some of the research that falls into this category includes studies comparing different institutional profiles (Busenitz et al., 2000; Manolova, Eunni, & Gyoshev, 2008); study of entrepreneurial cognitions across different national cultures (Busenitz & Lau, 1996; Mitchell, Smith, Seawright, & Morse, 2000; Mitchell et al., 2002); the impact of national cultures on entrepreneurship (Hayton, George, & Zahra, 2002; Tan, 2002); and cross-country study of the impact of postmaterialism on entrepreneurship (Uhlaner, Thurik, & Hutjes, 2002).

Like the case of commercial entrepreneurship, SE needs to be studied in the social context in which it is embedded (Mair & Marti, 2006). Drawing from institutional theory suggests that individuals in society are embedded within larger social structures, which comprise different institutions that strongly influence individual decision-making (Campbell, 2007). As discussed in the section on societal institu-

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tions, Scott (1995) classified North's formal and informal dimensions of institutions into three pillars: regulative, normative, and cognitive. So far, scholarly research has mainly examined the influence of formal institutions on SE (Dacin, Dacin, & Matear, 2010; Estrin et al., 2013a; Mair & Marti, 2009; Zahra et al., 2009).

Different disciplines define comparative entrepreneurship research differently, depending on whether they use formal or informal institutions to predict the existence of entrepreneurship (Bruton et al., 2010; Jones, Coviello, & Tang, 2011). For example, cross-national comparative entrepreneurship research, based on institutional economics, examines formal institutions (Autio & Acs, 2010; Estrin, Korosteleva, & Mickiewicz, 2013b); cross-cultural psychology and sociology entrepreneurship research examines informal institutions (Autio, Pathak, & Wennberg, 2013; Stephan et al., 2014). While scholars in other research areas have suggested the possibility of joint influences (formal and informal institutions to predict phenomena) (Carney, Gedajlovic, & Yang, 2009; North, 2005), scholarly studies integrating and using both formal institutions and informal institutions in comparative entrepreneurship research are limited (Stephan & Uhlaner, 2010; Stephan et al., 2014).

Inputs from institutional theory (North, 2005; Scott, 1995) are used to develop societal-level ethical antecedents of the creation of social enterprise. In the process, the institutional configuration perspective is used to develop the conceptual framework. From the institutional configuration perspective, incentives and constraints provided by both informal and formal institutions jointly influence behavior of an individual or a firm (Stephan et al., 2014). Furthermore, individual mental models of entrepreneurs influence the type of firm; extant research suggests that the firm is an extension of the individual entrepreneur's ego (Muralidharan & Pathak, 2016; Zahra, Korri, & Yu, 2005). Researchers in the area of strategy equate a firm's objectives to the goals and vision of the founding individuals (Katz & Gartner, 1988). Therefore, the exploration in this chapter occurs at the firm level, given the intricate link between individual entrepreneurs' personal objectives and the goals of the firms they establish (Zahra et al., 2005).

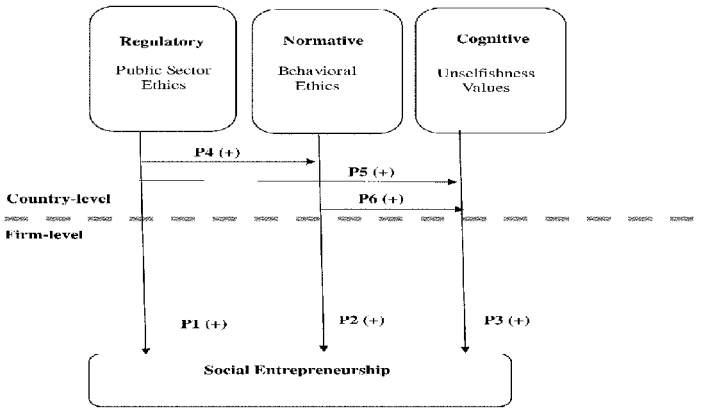
In summary, both formal and informal institutions are integrated into a framework to propose the impact of societal-level public-sector ethical attitudes (as a formal-regulatory institution), societal-level behavioral ethical attitudes (as an informal-normative institution), and societal-level unselfishness values (as an informal-cognitive institution), and their interplay in the creation of social enterprises. These societal or national-level institutions are considered opportunities and facilitators of SE in the proposed framework, as demonstrated in Figure 1. The subsequent sections discuss each of the predictors and their interplay, to predict the creation of social enterprises.

Public-Sector Ethics (Regulatory Institution) and Social Entrepreneurship

Public-sector ethics relate to integrity, bribery, and favoritism in the public sector (Kaufmann, 2004). The Global Competitiveness Report of the World Economic Forum measures the following factors that could potentially define public-sector ethics: honesty of politicians, government favoritism in procurement, diversion of public funds, trust in the postal service, extent of bribing in issuing permits, siphoning utilities, and cheating on or avoiding taxes. Public-sector ethics is posited as a societal-level regulatory institution. The institutional support perspective (Stephan et al., 2014) is used to understand the effect of public-sector ethics, and suggests that societies with more active governments, bureaucracy, and public-sector institutions will support, and thus enhance, SE (Evans, 1996; Korosec & Berman, 2006; Zahra & Wright, 2011).

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Figure 1.



Extant research suggests that national governments, through their bureaucracy and public-sector institutions, participate in addressing social concerns in society by providing both tangible and intangible resources, thereby providing support to social entrepreneurs (Evans, 1996; Korosec & Berman, 2006; Zahra & Wright, 2011). Tangible support arrives through funding and easy access to information, and intangible support through all forms of assistance in performing transactions related to setting up and running a social enterprise in a sustainable manner. Some examples of tangible resource support include donations, grants, and subsidies. Intangible resource support may include assistance with accessing and completion of grant and funding applications, obtaining necessary permits to obtain resources, and providing a networking platform for managing operations in a smooth and uninterrupted manner (Korosec & Berman, 2006; Meyskens, Carsrud, & Cardozo, 2010).

The ethical standards of the government bureaucracy and public-sector institutions are formal societal-level institutions that can facilitate or constrain social entrepreneurial activities. Low ethical standards in these institutions in society could create barriers to entry or operational barriers to obtaining clearances and permits to start social ventures for individuals with social objectives. Such contexts may also delay access to resources required to start and operate their enterprises. Barriers could increase the transaction costs involved for social entrepreneurs to start and manage their ventures in a sustainable manner (Nicholls, 2006), and hence these barriers would constitute institutional constraints for such activities.

In summary, an important role of the government and its constituencies is to provide public resources, and also to take care of the welfare of its citizens. As discussed earlier in this chapter, social entrepreneurs create enterprises that address societal concerns and needs. This implies that social entrepreneurs, the government, and public institutions are natural partners in addressing societal concerns and needs (Zahra & Wright, 2011). Extant research has found a positive association between government support and the creation of non-profit enterprises (Saxton & Benson, 2005). The established bureaucracy and public-sector bodies translate government objectives into action. Higher ethical standards of the government and the public sector may enhance social entrepreneurs' resources, and reduce transaction costs in commencing and managing their social enterprises in a sustainable manner (Nicholls, 2006; Stephan et al., 2014). A culture of high ethical standards in the government and its constituencies is a reflection of a society's regulatory institution, an indication of the government support for social entrepreneurs in the

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creation and management of their enterprises. Since entrepreneurs' personal objectives and the goals of the enterprises they form are intricately linked (Zahra et al., 2005), it is proposed:

Proposition 1: Public-sector ethics in society is positively associated with the creation of social enterprises.

Behavioral Ethics (Normative Institution) and Social Entrepreneurship

Justifiable behaviors are the accepted norms or practices of behavior of individuals in society. Behavioral ethics encompass morally justifiable actions, norms, or practices in society. The World Values Survey, using the following parameters that could potentially reflect behavioral ethical norms in society, measures the extent to which individuals consider the following as normal: claiming benefits to which they are not entitled; avoiding paying for public transportation; cheating on taxes; and accepting bribes in the course of duty. Since these are norms and practices that occur in daily life, they may qualify behavioral ethics as societal or national-level normative institutions.

Extant research considers entrepreneurship a function of available opportunity and motivated individuals (Aldrich & Zimmer, 1986). Entrepreneurial activity is therefore a product of the individual entrepreneur and the opportunity provided by the environment (Shane & Venkataraman, 2000). Scholars agree that opportunities exist when there are imperfections in the market, or in conditions of imperfect competition (Alvarez & Barney, 2010). While market imperfections could present opportunities for commercial entrepreneurs, opportunities for social entrepreneurs are different (Corner & Ho, 2010). Opportunities for social entrepreneurs stem from activities that create social value for society. Examples of such opportunities for SE include philanthropic activities, facilitating fair-trade importing, and self-help systems such as the microfinance movement (Hockerts, 2006).

Opportunities for social entrepreneurs are therefore embedded in society (Robinson, 2006). Lack of a favorable context could also provide opportunities of which firms can take advantage, such as institutional voids in developing economies (Mair & Marti, 2009; Puffer, McCarthy, & Boisot, 2010). In particular, a low behavioral ethical standard in society may be an opportunity for motivated social entrepreneurs, through their social enterprises, to pursue change and create social value. The presence of low behavioral standards in society is an opportunity for prosocial entrepreneurs, just as demographical, technological, and regulatory changes in society can result in opportunities for commercial enterprises (Drucker, 1985; Hall & Rosson, 2006). Examples of low ethical standards discussed earlier reflect unethical norms and practices, such as bribing at all levels in the administration, tax evasion by individuals, excessive levels of pollution, or not adhering to civic or regulatory standards in society. These societal concerns or opportunities act as motivational stimulants for entrepreneurs ranking high for prosocial motivations (Stephan et al., 2014). Existing scholarship linking entrepreneurship and society suggests that social entrepreneurs, through their social enterprises, can stimulate positive change in society by helping to discard existing social norms (i.e., low behavioral ethical standards in this study), and helping to create new ones (Harris et al., 2009).

In summary, entrepreneurship is a combined product of the individual and the context that provides an opportunity to act entrepreneurially (Shane & Venkataraman, 2000). As mentioned earlier in the chapter, SE is the recognition and exploitation of opportunities that stem from the long-standing needs or concerns of society, which may warrant change (Austin et al., 2006). Societal norms can create incen-

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tives for entrepreneurial activities (Baumol, 1990). Behavioral ethics are morally justifiable actions in society, and low behavioral ethics in society are norms that provide opportunities for change in society for prosocial entrepreneurs, through their agency. Again, based on the intricate link between entrepreneurs' personal objectives and the goals of the enterprises they form (Zahra et al., 2005), it is proposed:

Proposition 2: Unethical behavior in society is positively associated with the creation of social enterprises.

Unselfishness (Cognitive Institution) and Social Entrepreneurship

Unselfishness is a cultural value in society, whereby individuals attach importance to others, and therefore actively value doing good for society, as opposed to private gain (Dacin et al., 2010; Kanungo, 2001; Zahra et al., 2009). The World Values Survey reports the percentage of respondents in a country who believe that unselfishness is an important value that they encourage their children to learn at home. Since these are values that are shared and cultural-cognitive, unselfishness is a societal-level cognitive institution. Unselfishness as a societal value plays an important role in motivating individuals to pursue socially important goals through their agency. Motivation, as established in the literature, is an important driver of entrepreneurship (Shane, Locke, & Collins, 2003).

Furthermore, research suggests that an individual's values play an important role in career decision-making (Knafo & Sagiv, 2004; Noseleit, 2010). This insight can extend to understanding the drivers of career decision-making by individuals pursuing a career in SE (Roccas, Sagiv, Schwartz, & Knafo, 2002). Scholars have used insights from aggregate trait theory to understand the drivers of cross-cultural differences in individual career choices to engage in commercial entrepreneurship (Davidsson & Wiklund, 1997; Uhlaner & Thurik, 2007). Applying this insight from aggregate trait theory suggests that societal values reflect the importance of certain values for a society's inhabitants—that is, the aggregate of goals which are personally important to those inhabitants (Schwartz, 2006). When applied to SE, aggregate trait perspective maintains that the greater the number of individuals in a society who hold values consistent with SE, the greater the number will be of individuals in that society motivated to engage in social entrepreneurial activities (Stephan et al., 2014).

Extant research has also established that SE is based on ethical motives and moral responsibility considerations (Mair & Martí, 2006). Therefore, individuals who score high for prosocial values will be more inclined to become social entrepreneurs (Stephan et al., 2014). Unselfishness is a key ethical value that motivates such individuals to become social entrepreneurs, as this value differentiates them from commercial entrepreneurs, by virtue of their objective of actively doing good for members of the society, as opposed to pursuing initiatives solely to generate personal profits (Dacin et al., 2010; Grant & Berry, 2011; Grant & Sumanth, 2009; Zahra et al., 2009). This argument is also in line with extant research that suggests that social entrepreneurs create value for the benefit of the collective, as opposed to individual monetary gain (Bacq et al., 2014).

In summary, societal cultural values reflect the importance of certain values for individuals in a society—that is, the aggregate of personally important goals that those individuals hold (Schwartz, 2006). The aggregate trait perspective (Davidsson & Wiklund, 1997; Uhlaner & Thurik, 2007) has been used to understand why differences in values across cultures predict differences in individual career choices for commercial entrepreneurship. This insight extends to understanding the drivers of career choices of social entrepreneurs. SE is primarily based on ethical motives and moral responsibility (Mair & Marti, 2006). Unselfishness is a moral value that distinguishes social entrepreneurs from commercial entrepreneurs,

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by the importance they attach to actively doing good for society, as opposed to individual gain (Dacin et al., 2010). The societal value of unselfishness drives the prosocial motivation of such individuals to help or contribute to other people through their enterprises (Grant & Berry, 2011). Finally, given the intricate link between an entrepreneurs' personal objectives and the goals of the enterprises they form (Zahra et al., 2005), it is proposed:

Proposition 3: Unselfishness in society is positively associated with the creation of social enterprises.

Behavioral Ethics and Public-Sector Ethics

As discussed earlier in the chapter, entrepreneurial activities are a function of "*opportunity* structures and *motivated* entrepreneurs" (Aldrich & Zimmer, 1986, p. 3). The activity is an outcome of the fit between the individual and the opportunity (Shane & Venkataraman, 2000). Davidsson's (2015) review, which shows limited progress in understanding the role of opportunities and individuals, suggests the connection between "external enablers" and "actors" for new venture creation. High public-sector ethics in the environment would be an external enabler that would act as a strong motivational stimulant (Stephan et al., 2014) for individuals with high prosocial motivations (Grant & Berry, 2011; Grant & Sumanth, 2009) to engage in activities or form organizations that lead to social change.

While low behavioral ethics in the environment would elicit entrepreneurial responses from individuals who want to create social change, high public-sector ethical standards in the environment may serve to enhance or support the responses that such prosocial entrepreneurs may have to create social value. High public-sector ethical standards tend to alleviate the challenges that such entrepreneurs face, due to high transaction costs they may have to incur to establish and manage their social enterprises in contexts where public-sector ethical standards are low. This insight of a synergy between public enterprises and private agency appears in political science and development economics literature (Skocpol, 2008; Woolcock & Narayan, 2000). It is therefore suggested that high regulatory public-sector ethical standards reinforce the positive effects of the normative low behavioral ethical standards in society, and consequently enable SE. Hence it is proposed:

Proposition 4: Public-sector ethics moderate the relationship between unethical behavior in society and the creation of social enterprises; the relationship is stronger when both unethical behavior and public-sector ethical standards in society are high.

Unselfishness and Public-Sector Ethics

As discussed in relation to Proposition 4, entrepreneurial action has often been considered a product of the individual and a situation that provides an opportunity to act entrepreneurially (Shane & Venkataraman, 2000). Again, Davidsson's (2015) review, in understanding the role of opportunities and individuals, suggests the strong linkage between "external enablers" and "entrepreneurs" for new venture creation. Thus, widespread unselfishness values in a society, based on the aggregate trait hypothesis (Davidsson & Wiklund, 1997; Uhlaner & Thurik, 2007), may not be sufficient to stimulate a large number of individuals to become social entrepreneurs (Stephan et al., 2014), unless there are external enablers for these individuals to act upon those values.

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Using the same arguments leading to Proposition 4, high public-sector ethical standards may serve to act as external enablers. High public-sector ethical standards tend to act as motivational stimulants (Stephan et al., 2014) for individuals with high unselfishness values, and hence a prosocial bent, to set up social enterprises with social objectives. High public-sector ethical standards help reduce transaction costs that prosocial entrepreneurs incur in setting up and managing their social enterprises. Hence it is proposed:

Proposition 5: Public-sector ethics moderate the relationship between unselfishness in society and the creation of social enterprises; the relationship is stronger when both unselfishness in society and public-sector ethical standards are high.

Behavioral Ethics and Unselfishness

Propositions 4 and 5 illustrate that entrepreneurial action is a product of the individual and his or her context (Shane & Venkataraman, 2000). Widespread unselfishness as a moral value in society may not be sufficient to motivate a large number of individuals in society to become social entrepreneurs, unless there is sufficient opportunity in society for them to create social change through their enterprises (Stephan et al., 2014). Bornstein's (2004) series of biographies of social entrepreneurs highlights how moral values of social entrepreneurs motivated them to act after they were sufficiently exposed to human suffering. Low behavioral ethical standards in society would be an opportunity that triggers individuals who score high for unselfishness values to pursue social change. Individuals in society are more likely to establish social enterprises in such situations. Individuals are more likely to engage in SE in societies where there is greater social need and demand for SE (when behavioral ethical standards in society are low), and a high proportion of prosocial individuals (those with high unselfishness values). Hence it is proposed:

Proposition 6: Unethical behavior moderates the relationship between unselfishness in society and the creation of social enterprises; the relationship is stronger when both unselfishness and unethical behavior in society are high.

DISCUSSION

Extant reviews by scholars suggest that entrepreneurship and ethics have generally been treated as separate fields of study. This conceptual study contributes to the intersection of entrepreneurship and business ethics, which remains in relatively early stages (Harris et al., 2009). There is limited research that examines how the ethical context of a society influences entrepreneurial actions. This study has attempted to address that gap, specifically by defining the ethical context of a society along the three dimensions of institutional theory: regulatory, normative, and cognitive; then by examining the influence of these ethical dimensions on the creation or establishment of social enterprises.

Insights from institutional theory are used to establish public-sector ethical standards of a society, behavioral ethical standards of a society, and unselfishness values of a society, as regulatory, normative, and cognitive institutions, respectively. Thereafter, the discussion establishes that behavioral ethical practices (or low behavioral ethical standards) provide opportunities for social entrepreneurs, through their enterprises, to bring about social change in society. Unselfishness is established as a societal value

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and a key driver of the prosocial motivations of social entrepreneurs setting up social enterprises. Then, it is suggested that for successful entry and establishment of their social enterprises, such prosocial individuals would require easy accessibility and the support of public-sector institutions to facilitate transactions in establishing and running their enterprises. Therefore, presence of high ethical standards in such public institutions would help reduce the transaction costs associated with social entrepreneurs starting and managing enterprises.

A mixed-determinant, multilevel model (presented in Figure 1) (Kozlowski & Klein, 2000; Stephan et al., 2014) is proposed, in which the three societal-level institutions (regulatory, normative, and cognitive) are represented. The proposed model represents the effects of public-sector ethical standards (the regulatory dimension), behavioral ethical norms and practices (the normative dimension), and societal unselfishness value (the cognitive dimension), alone and in combination, in relation to the probability of establishment of a social enterprise. While the presence of post materialist cultural values of unselfishness increases the supply of potential social entrepreneurs (Stephan et al., 2014), and low behavioral ethical standards in society provide the opportunity for such individuals to create social change, government support through high public-sector ethical standards serves as a strong enabler for lowering transaction costs and providing access to resources that social entrepreneurs need to establish and manage social enterprises in a sustainable manner (Nicholls, 2006). Given that entrepreneurs' personal objectives and the goals of the enterprises they form are intricately linked (Zahra et al., 2005), the probability determination is explored at the firm level.

The propositions in this chapter suggest joint institutional configurations of formal and informal institutions. Propositions using the institutional configuration perspective enable better integration of research on formal and informal institutions, and go beyond the debate on whether formal or informal institutions are more important for outcomes (Stephan et al., 2014). While theorizing the effect of configuration is a common practice in strategic management and psychology research (Short, Payne, & Ketchen, 2008; Tett & Burnett, 2003), it is limited in institutional theory research (Scott, 2005) and in comparative entrepreneurship research (Bruton et al., 2010; Jones et al., 2011; Stephan et al., 2014). The propositions offer a wider perspective by suggesting that formal and informal institutions can also have additive and mutually reinforcing influences on the creation of social enterprises (Stephan et al., 2014), as proposed between public-sector ethics and behavioral ethical standards, between public-sector ethics and unselfishness values, and between behavioral ethical standards and unselfishness values.

The chapter makes the following contributions to extant literature on entrepreneurship and societal institutions. First, the use of institutional theory as a framework is growing in all areas of management research, as the framework captures issues that the concept of culture cannot (Busenitz et al., 2000; Hoskisson, Eden, Lau, & Wright, 2000). Further, inconsistencies in research that uses Hofstede's measures of culture have prompted scholars to incorporate institutional arguments in their studies (Mueller & Thomas, 2001). Kostova (1997), for example, proposed the concept of a country institutional profile to explain how a society's institutional context influences its domestic business activity. Many entrepreneurship scholars use this concept to explore why levels of entrepreneurship vary by country (Busenitz et al., 2000). The institutional framework has been used to understand the effects of societal ethical context on social entrepreneurship. Classifying societal ethics along the three dimensions of institutional theory provides a benchmark to identify societal-level ethics as either regulatory, normative, or cognitive institutions.

Second, the institutional framework for ethics suggests a more contextualized understanding of the effect of societal-level ethics on SE at the individual level. While practitioners acknowledge the influence of context, academic research on the influence of context on SE is limited (Bacq & Janssen 2011; Estrin,

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et al., 2013b; Nicholls, 2010). Scholars have observed that socially responsible behaviors, represented by the rates of SE, vary significantly across countries (Lepoutre, Justo, Terjesen, & Bosma, 2013). The proposed framework in this chapter suggests that this variance may also be due to differences in a country's ethical attitudes. These societal-level ethical attitudes may also influence and contribute to discussions of the national entrepreneurship framework conditions, assumed to be resource-allocation mechanisms driven by opportunity discovery and pursuits at the individual or firm level, the results or outcomes of which are regulated by societal-level institutions (Ács, Autio, & Szerb, 2014).

Third, this conceptual study uses a multilevel theoretical framework to understand and propose how societal ethical attitudes influence SE at the firm level, given the intricate link between entrepreneurs' personal goals and the goals of the enterprises they form (Zahra et al., 2005). While societal culture is basically a collective-level construct, entrepreneurship is fundamentally an individual or team-level construct (Baumol, 1990). Using a multilevel theoretical design helps to avoid ecological and individualistic fallacies (Autio et al., 2013). The proposed framework in this chapter therefore contributes to multicountry comparative entrepreneurship research. This study is also in line with the recent calls by academic scholars for greater examination of the impact of context on entrepreneurial behavior (Welter, 2011; Zahra & Wright, 2011). The chapter specifically suggests that societal ethical contexts can serve as opportunities for individual social change agents to establish social enterprises, and addresses how these ethical contexts can enable or facilitate entry into social entrepreneurial activity.

FUTURE RESEARCH DIRECTIONS

The proposed framework is multilevel in design and conceptual in nature, to examine the influence of societal-level ethical institutions on SE. Future research may need to empirically test the framework proposed in this chapter, using advanced quantitative methods. Doing so will also respond to the call by scholars for the advancement of SE research through quantitative methods (Dacin et al., 2011; Short, Moss, & Lumpkin, 2009). Only three types of ethics have been conceptualized in this chapter. Future research may identify more ethical institutions at the societal level, and examine their influences on SE, as well as on socially responsible behaviors (Jones, 1999). Zahra et al. (2009), building on the research by Hayek (1945), Kirzner (1973), and Schumpeter (1934), identified three types of social entrepreneurs: social bricoleurs, social constructionists, and social engineers. Future research may examine the effect of the societal ethical institutions on these social entrepreneurial types.

CONCLUSION

Extant research has largely examined ethics in terms of the extent to which context influences ethical attitudes of entrepreneurs, or how entrepreneurs react to ethical dilemmas. The activities of social entrepreneurs have been examined from the point of view of individual motivation of such entrepreneurs. This chapter attempts to establish how societal ethical contexts can serve as an opportunity for social entrepreneurs, and how such contexts can facilitate establishment of social enterprises by such individuals. It suggests that societal-level ethical institutions, along the regulatory, normative, and cognitive dimensions, influence the probability of establishing social enterprises. Low behavioral ethical standards in society—a normative institution—serve as an opportunity for social entrepreneurs to establish social

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enterprises. Societal unselfishness values provide the supply of social entrepreneurs. High public-sector ethical standards in society enable or facilitate individual success in social entrepreneurial endeavors. The chapter also proposes additive or reinforcing effects of public-sector ethics and behavioral ethical standards, public-sector ethics and unselfishness values, and behavioral ethical standards and unselfishness values, on the creation of social enterprises. In clearly identifying different types of societal-level ethical institutions, the chapter contributes to the sought-after literature that examines the effect of context on entrepreneurial behavior.

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Chapter 8
Towards a New Definition of Social Innovation

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ABSTRACT

This chapter focuses on social innovation, a topic that the literature has been increasingly discussing in the last decade. The authors revise the many available (and, to some extent, too general) definitions as well as identify the main features that have been claimed as relevant for social innovation (e.g. Mumford, 2002), which concur in providing its definition. By doing so, they pursue the assessment of a less fuzzy definition of social innovation and make a first attempt to focus on the role that companies play in developing as well as scaling social innovations. The adopted approach exploits the literature review and is based on an in-depth analysis of the definitions of social innovation: the authors collected and catalogued them, so identifying the main dimensions of analysis. Clarifying what social innovation is and the role that companies play in social innovation initiatives can increase companies' awareness of what they (can) do with respect to social innovation, possibly taking advantage of this in terms of business objectives.

INTRODUCTION

The literature on innovation analyzes the features, the needed resources, the processes, the effects and the implications associated to the development of different typologies of innovation. Organizational innovation (Wolfe, 1994), technological innovation (Utterback, 1971), architectural innovation (Henderson and

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Clark, 1990), disruptive innovation (Christensen, 1997) and, more lately, open innovation (Chesbrough, 2003) exemplify just some of them.

In the last years, an increasing attention has been devoted to social innovation. As observed by Moulaert and Nussbaumer (2006), the social implications of innovation have been deeply discussed in the literature since the seminal work of Schumpeter (1942). However, according to Barroso (2011),the increased attention is partly due to the financial and economic crisis, which makes creativity and innovation in general, and social innovation in particular, crucial to foster sustainable growth, secure jobs, and boost competitiveness.

Social innovation indeed plays a crucial role in several sectors, and especially in those wherein the existing models of innovation are failing or stagnant or new possibilities are not being adequately exploited (Mulgan *et al.,* 2007). Such sectors range from manufacturing to economy, from education to health, from environmental protection to finance, from public service provision to strategic planning.

The diversification of the sectors wherein social innovations develop as well as the diverse backgrounds and perspectives of the scholars that, so far, investigated social innovation lead to several different definitions and to a notion of social innovation quite vague, no more than a buzzword (Bock, 2012; Pol and Ville, 2009; Neumeier, 2012). The paucity of systematic analyses on the topic is also hindering the practice of social innovation itself (Serrat, 2012).

This paper aims at investigating the nature of social innovation. In particular, we review the existing definitions of social innovation and, by the means of a quali-quantitative approach, we identify the dimensions of analysis and the variables that the literature considers as peculiar to social innovation. Based on them we provide a new definition of social innovation. Our work expands and updates the analysis carried out by Pol and Ville (2009). In addition we use three well-known cases of social innovation, i.e. fair-trade movement, microcredit and the open source software to test our conclusions and to question about the their real specificity and usefulness.

The paper is organized as follows. First a review of the literature is presented. Then, the goal of the paper and the methodology adopted to achieve it are discussed. Successively, we discuss the analysis carried out and the findings. Finally, we draw some conclusions and future research directions.

LITERATURE REVIEW

In the last two decades, a growing number of scholars has investigated the nature of social innovation. Literature reviews as well as pamphlets and general guides have been published (e.g. Young Foundation and NESTA, 2010; SIX, 2010). Such works use different approaches and methodologies, ranging from case studies (e.g. Mumford, 2002) to action research (e.g. Trifilova *et al.*, 2012). The novelty and importance of social innovation is also revealed by the number of centres all over the word (Canada, Australia, USA, UK, Germany, Austria, France, New Zealand) which are studying it and by the proliferation of social innovation 'hubs', incubators, and networks (such as the Social Innovation Exchange – SIX).

The literature provides different definitions which, in turn, discuss social innovation based on diverse dimensions of analysis and variables, For example, Flew *et al.* (2008) define social innovation as "the application of a new idea, or a new application of an existing idea, that delivers lasting social value", whereas Heiscala (2007) emphasizes its "changes in the cultural, normative or regulative structures of the society which enhance its collective power resources and improve its economic and social performance". Tafel-Viia *et al.* (2012) stresses that the phases of implementation, adoption and adaptation

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(modification and customization) are part of social practice. Besides, according to Mulgan *et al.* (2007) and to Trifilova *et al.* (2012), social innovation can be identified according to two perspectives, namely the nature of the innovation (e.g. open source software) or its purpose (e.g. microcredit).

The possible applications and implications of social innovation in several fields have also been deeply studied. For example, in the educational field, Raufflet (2009) shows that social innovation can be adopted to generate new knowledge and to adapt existing knowledge to social needs. Trifilova *et al.* (2012) illustrate the use of social innovation to improve student's excellence and capabilities as well as organizational performance in companies the graduates would be part of; Medvedeva (2011) describes how social innovation may be exploited to develop the innovative competencies of people, and Tafel-Viia*et al.* (2012) scrutinize the mechanisms that facilitate educational reform and examine, among the rest, how networking among teachers influences the effective implementation of new teaching methodologies. In the environmental field, Maruyama *et al.* (2007) examine how an active citizenship can affect the people's acceptance of renewable energy and the adoption of the specific technology; from a different perspective. Rodima-Taylor (2012) investigates the linkages between organizational features of local institutions and their ability to enhance local adaptive capacity to reduce environmental vulnerability. Fink *et al.* (2013) identify practices that are crucial for a sustainable development of local communities and find that disruptive technologies should be accompanied by social innovations to be more easily adopted by the communities to whom the technologies are addressed; Doi and Yamada (2010) deepen symbiotic technology as one of the promising technologies for achieving social innovation.

Also, the role of governments and, in general, of politics and their potential in improving lives act as basis for another stream of research which investigates on social innovation, digging into the aspects related to the governance, defined in terms of collective action and common vision needed to produce social value or to solve societal problems (Kooiman, 2003).

Finally, numerous papers deal with the use of social innovation to promote social change, e.g. to reduce violence against women (Sullivan 2003), to assist homeless individuals with severe mental illness (Calsyn, 2003) or to develop a company's corporate social responsibility strategy (Hanke and Stark, 2009).

Social Innovation Actors

Different actors are involved in the process of developing and adopting social innovation . More specifically, the beneficiary of a social innovation is usually the more vulnerable part of the population (Cahill, 2010), e.g categories of people that, because of their gender or age, are marginalized by the existing power hierarchies (Rodima-Taylor, 2012), mentally ill, homeless, poor, disabled or some other identified user groups (Antadze and Westley, 2010a). Besides, the literature stresses a specific character of the social innovation: it refers to an unmet need (or every need met only partially or unsatisfactorily, or unserved). Indeed, according to Mulgan *et al.* (2007), the standing point for innovation is the awareness of a need that is not being met or some ideas of how it could be met.

Beneficiaries are usually interested to new services, but also have a limited purchasing power. This aspect probably explains why most social innovations involve developing countries, like India and Bangladesh.

In other cases, e.g. open source software, people are grouped according to their competencies in order to develop something jointly, using their own abilities. So, the beneficiaries of social innovation usually collaborate substantially to individuate the solution and develop the social innovation. The idea itself is usually generated from the bottom.

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Another important actor is represented by governments, which are often in the position to "purchase" the innovative social program or products on behalf of the populations to which it is addressed to. «Governments are generally constituted as the "guardians" of the public good (Westley and Antadze, 2010)», leaving the private sector to respond to the demand for product and process innovation (Fontana and Guerzoni, 2008). They are also prone to more stringent requirements for accountability and are uncomfortable with the uncertainty associated with radically innovative ideas (Antadze and Westley, 2010a).

Antadze and Westley (2010a) also discuss the important role of media in favouring the match between demand and offer of social innovation. Often, media are crucial in broadcasting the needs of disadvantaged peoples, which otherwise lack means to spread them. In doing so, to increase the effectiveness of the eventual social innovation, media should not distort those needs, should sustain only the most logic and sympathetic ones (Mulgan *et al.*, 2007) and should ripple the concept through different networks and communities (Dees, 2012).It is noteworthy that social innovation is not driven by the same incentives as in commercial markets. The pressure absence usually does not encourage the development of many promising idea. Mulgan *et al.* (2007) argue that the main difference with business innovation is the absence of the purpose of profit maximization. Unlike business innovation, social innovation is not diffused by organizations that are 'profit seeking' (Pol and Ville, 2009). According to Moulaert and Nussbaumer (2005), social innovation can give rise to community development that is alternative to market- or state-led development. Therefore, the market for social innovations does not exist, rather the innovations create their own market.

The recognition of the actors involved in social innovation can also be led from another point of view: many of the most successful innovators have learned to operate across sector boundaries, and innovation thrives best when there are effective alliances between small organisations and entrepreneurs (the 'bees' who are mobile, fast, and cross-pollinate) and big organisations (the 'trees' with roots, resilience and size) which grow ideas to scale (Mulgan *et al.*, 2007). For instance, Danone and Grameen Bank in 2006 constituted an alliance and launched Grameen Danone Foods, a social business enterprise designed to provide children with many of the key nutrients that are typically missing from their diet in rural Bangladesh, and run on "no loss, no dividend" basis (Yunus, 2010).

Nonetheless, Mulgan *et al.* (2007) stress that social innovations are usually implemented by governments, big companies or non-governmental organizations, which typically have a limited amount of creativity in the generation of ideas: often such organizations have the means to innovate socially and design effective social innovation, but they lack of the right ideas for doing that. On the other side, single individuals or small companies, which may have the right ideas, can hardly afford the investments needed to implement social innovation, which is characterize by quite long phases with negative revenues (Mulgan *et al.*, 2007). Despite this uncertainty related to the innovation investment, according to Pol and Ville (2009), it would be a blunder for governments not to encourage innovation without a profit motive. Lemieux (2004) claims that the dichotomy between the no-profit and the for-profit sectors should not be the central issue.

For all these reasons, social innovations are often committed to non-profit organizations and/or foundations. For instance, Martin Burt's Fundaciòn Paraguaya (Maak and Stoetter, 2012) promotes education and agriculture in Paraguay by making and extensive use of microfinance initiatives.

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METHODOLOGY

The goal of the paper is to investigate the nature of social innovation by identifying the key features (dimensions of analysis and variables) that characterize it. To achieve such a goal, we collected the definitions provided by the literature. In particular, we examined three electronic databases (i.e. Sciverse, Google Scholar, and CASPUR[1]) and selected all the publications containing the string "social innovation" in the title and/or in the keywords, published in English and by October 2012. The covered resulting covered publishing period was 1982-2012 . Sciverse included 12 publications, Google scholar 20 and CASPUR 16, which gave us a dataset of 48 papers, published in peer-reviewed journals (37), book chapters (1), conference proceedings (3), and trade-publications (2). The dataset includes different typologies of papers, such as literature reviews, action research papers, model-based papers and case studies. Scanning the papers dataset, we collected 44 definitions of social innovations (a few papers reported more than one definition, some other related to definitions already cited in other papers, other paper did not mention a specific definition at all), listed in Appendix A. The definitions differ as to the features mentioned and/or stressed. Different features (e.g. the resource, the object, the goal, the beneficiary, etc.), hereafter referred to as dimensions of analysis, have been inductively identified. In the definitions, the same dimension is often reported stressing a diverse aspect (hereafter referred to as value assumed by the dimension). For example, the subject who develops social innovation is identified in some definitions with individuals, in other with organizations, and so on. We also identified the values for each dimension of analysis.

Appendix B shows all the values that the dimensions of analysis assume in the collected definitions.

Next Sections illustrate and discuss the results of the analysis that has been carried out. Specifically, first the emerging dimensions of analysis and the attending values are presented. Then, a new definition of social innovation, built on the analysis of the definitions, is proposed. Such a new definition is articulated so as to take into account only the dimensions of analysis that are most frequent (we chose the average of the frequencies of the dimensions of analysis as threshold value) and include for each dimension only the value(s) also based on average of the frequency of all the dimension values Tables reporting the matching between definitions and values are available on request asking to the corresponding author.

Finally the new definition is tested by three cases presented in the literature.

ANALYSIS AND RESULTS

Table 1 reports the dimensions of analysis and the frequency of their appearance in the definitions derived from the literature. The dimensions of analysis more cited are the innovation deliverable, the effect of innovation, the challenge it addresses, as well as the beneficiary of the innovation. Other dimensions (i.e. the developer of the innovation, the resource adopted to create it, its performance, and the persistence) are included only in few definitions.

Dimensions of Analysis

In this Section each dimension of analysis encompassed in the collected definitions and their attendant values are discussed.

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Table 1. Dimensions of analysis for social innovation and their frequency of appearance in the definitions

Dimension of Analysis	Frequency
D1. Deliverable	37
D2. Developer	3
D3. Beneficiary	11
D4. Adopted resources	2
D5. Effect	25
D6. Field of need	22
D7. Performance	7
D8. Persistence	2

Deliverable

The deliverable is the output of the social innovation development process. The existing definitions of social innovation stress that the deliverable of social innovation can be any new program or initiative (Antadze and Westley, 2010b), product (Phills *et al*., 2008), process (Tafel-Viia *et al.*, 2012), way (Forum on Social Innovation, 2000), solution or technology (Phills *et al.,* 2008), dynamics (Maruyama *et al.*, 2007), change (Heiscala, 2007), practice (Moulaert *et al.*, 2005), model, activity or service (Mulgan *et al.*, 2007).

The terms used to describe the deliverable stress two distinct perspectives. In some definitions, the deliverable refers to the new object developed, i.e. the final product or service. In that case, terms such as product, model, solution, technology, or program are used. The latter perspective is associated to the use of other terms (e.g. process, activity, dynamics or change), which, in some cases, still refer to the output of the innovation development process (i.e. so meaning that a social innovation can be a process innovation). Yet, in other cases, the terms adopted in the definitions rather refer to the way the social innovation development process is carried out. Exactly that process is emphasized in some definitions rather than its output. To take into account both perspectives, we assume that the dimension of analysis "deliverable" can assume two values, namely object or process. Table 2 summarizes the frequencies for both values. The definitions which discuss both values are counted twice.

The adjective *new* stresses that a social innovation is indeed an innovation.

Table 2. Frequency of the dimension of analysis "deliverable" (D1) and its values

Value	Frequency
V1.1. New object	33
V1.2. New process	11
Total	**37**

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Developer

Another dimension of analysis relates to the subjects involved in social innovations. One of them is the developer, namely the actors (actor) who make(s) decisions and implement(s) activities to develop the social innovation. The developer can be an organization whose primary purposes are social, a company, an individual or an unstructured group of them, i.e. actors working in concert or separately (Antadze and Westley, 2010b).

Mulgan *et al.* (2007) identify various kinds of subjects who promote and develop social innovations. They can be individuals, especially when they are "heroic, energetic and important" (see for example Maak and Stoetter, 2012). Movements (e.g. feminism, or environmentalism) can also promote social innovation, as well as foundations (not as the end users) and organizations. As to the latter, they can be both existing or ad hoc established ones to promote the social innovation.

Mulgan *et al.* (2007) state that the idea to implement a social innovation can arise from angry individuals or groups, campaigns and political movements.

Indeed, on the birth of the idea of social innovation, Ramalingam *et al*. (2010) assert that social innovation is also built on the inherent capacities of individuals and communities, which makes the notion of open innovation especially relevant.

Table 3 shows the frequency the dimension of analysis reported in the examined definitions and the relative frequencies per value. In our opinion, it would be interesting to further investigate this dimension so as to clarify the roles involved in the development process. However, as such dimension is rarely mentioned in the literature, as explained in the previous Section, we assume that (at least according to the existing literature) it is not relevant and hence is neglected in the rest of the paper.

Beneficiary

The beneficiary is the subject to whom social innovation is addressed. i.e. an individual, a group of individuals who share some needs or personal conditions (e.g. poor health, or the will to map their professional network), a company or a network of companies, the whole society, or the planet. More specifically, the literature stresses that the beneficiary may be the vulnerable population (Cahill, 2010), gender or age categories which are marginalized by the existing power hierarchies (Rodima-Taylor, 2012), e.g. mentally ill persons, homeless, poor, disabled, or some other well identified user group (Antadze and Westley, 2010a). It is noteworthy that vulnerable people are discussed as potential beneficiary of social innovation in several papers but it is not explicitly mentioned in any of the definitions (included those reported in those papers).

Table 3. Frequency of the dimension of analysis "developer" (D2) and its values

Value	Frequency
V2.1. Organization	2
V2.2. Individual	1
Total	**3**

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The literature suggests also that sometimes the developer and the beneficiary of a social innovation are the same person. For instance, vulnerable people may also develop (or contribute to the development of) social innovations, in addition to be supported by them (Antadze and Westley, 2010b).

Table 4 indicates the frequency the dimension of analysis reports in the examined definitions and the relative frequencies per value. However, as such dimension is rarely mentioned in the literature, as explained in the previous Section, we assume that (at least according to the existing literature) it is not relevant and hence is neglected in the rest of the paper.

Adopted Resources

The dimensions adopted resources refers to what is used by the developer to develop the social innovation. Resources involve skills, competencies, technologies totally new (e.g. Mulgan*et al.*, 2007; Ramalingam*et al.*, 2010; Bessant*et al.*, 2012) or already existing and conveniently recombined. Social innovation brings together old elements in new - sometimes radically new-ways (Antadze and Westley, 2010a; Arthur 2009). Although both values are discussed in the literature, only one of them is cited in the definition, i.e. the fact that social innovation uses only something existing.

Table 5 shows the frequency such a dimension of analysis is cited in the examined definitions and the relative frequency. As the dichotomy between what discussed in the papers and what reported in the definitions suggests to further investigate this dimension of analysis. However, consistently with the methodology adopted in the paper, as the dimension is rarely mentioned, we decided to assume that (at least according to the existing literature) it is not relevant and hence is neglected in the rest of the paper.

Effect

Several definitions emphasize the effect of social innovation. In particular, scholars distinguish among two kinds of effects. The former pertains to people's quality of life, which results enhanced after social innovation is adopted (Mulgan, 2007; Pol and Ville, 2009). The latter relates to the system-level social change (Munshi, 2010). In that case, social innovation is considered a driver of the change of the social

Table 4. Frequency of the dimension of analysis "beneficiary" (D3) and its values

Value	Frequency
V3.1. Society	10
V3.2. Planet	2
V3.3. Organization/firm	2
V3.4. Individual	2
Total	**11**

Table 5. Frequency of the dimension of analysis "adopted resources" (D4) and its values

Value	Frequency
V4.1. Existing skills, competencies etc.	2
Total	**2**

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structure (e.g. Tuomi, 2006). Antadze and Westley (2010a) mention that social innovations strive to change the way a social system operates, as they usually result in a change at the systemic level. That means that social innovation creates new social relationships, or rather it structures existing ones in a new and different way, so redefining the roles to address the equity concerns of various parties (Mumford, 2002). Indeed, social innovations can be considered as the actions that aim at transforming the social relationships that are at the roots of the social problems (Bouchard, 2011). Also, a social innovation may occur when people build structured institutions to preserve informal, naturally occurring relationship of value (Policastro and Gardner, 1999).

These considerations open up another aspect stressed by the literature, namely the critical role played by the relationships between the actors involved; in fact, according to Mulgan *et al*. (2007) it is the lack of certain social relationships that explains why many social innovations are still born.

Within the system-level social change we include also the effects on the economic system (Gershuny, 1982) and the strengthening of the labour market (Forum on social innovation, 2000).

Table 6 shows the frequency the dimension of analysis "effect" is reported in the examined definitions as well as the relative frequencies per value. As such dimension is often mentioned in the literature, as explained in the previous Section, we assume that (at least according to the existing literature) it is relevant and hence is preserved in the rest of the paper.

Field of Need

The field of need refers to the domain social innovation is intended to be addressed. Definitions of social innovation suggest that such a dimension may assume several values, ranging from the financial to the environmental and cultural milieu, as well as social one. The last one is the most frequently cited in definition: Leadbeater (2007b) talks social issues like education and health. Phills (2008) emphasizes that a social innovation is truly social only if the balance is tilted toward social value.

Table 7 shows the frequency the dimension of analysis "field of need" is reported in the examined definitions and the relative frequencies per value. As such dimension is often mentioned in the literature,

Table 6. Frequency of the dimension of analysis "effect" (D5) and its values

Value	Frequency
V5.1. Changing socio-economic structure	18
V5.2. Improving quality of life	8
Total	**25**

Table 7. Frequency of the dimension of analysis "field of need" (D6) and its values

Value	Frequency
V6.1. Social milieu	20
V6.2. Economical milieu	2
V6.3. Culture	5
V6.4. Environment	2
Total	**22**

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so collecting an high frequency, as explained in the previous Section, we assume that (at least according to the existing literature) it is relevant and hence is preserved in the rest of the paper. The most cited field of need is associated to the social milieu.

Performance

The dimension "performance" is related to the kind of improvement produced by the social innovation . The improvement may be associated to the efficiency, the sustainability, the effectiveness, or to the overall satisfaction of the beneficiary of the social innovation. It is noteworthy that the term sustainability is used to refer to the way the financial resources are marshalled and effective managed to make social innovation develop and animate over time (Mumford, 2002).

Table 8 shows the frequency this dimension of analysis is reported in the examined definitions and the relative frequencies per value. As such dimension (performance) is rarely mentioned in the literature, as explained in the previous Section, we assume that (at least according to the existing literature) it is not relevant and hence is neglected in the rest of the paper.

Time Horizon

The persistence refers to the duration of effects due to the adoption of social innovation.

Mulgan *et al.* (2007) clarify that social innovation has a long term effect, whereas Mumford (2002) states that it may not require complete solutions, but rather timely solutions laying an organizational foundation for long-term solutions.

Table 9 reports the frequency such a dimension of analysis is cited in the examined definitions and the relative frequencies per value. As such dimension (performance) is rarely mentioned in the literature, as explained in the previous Section, we assume that (at least according to the existing literature) it is not relevant and hence is neglected in the rest of the paper.

Table 8. Frequency of the dimension of analysis "performance" (D7) and its values

Value	Frequency
V7.1. Efficiency	2
V7.2. Sustainability	2
V7.3. Effectiveness	3
V7.4. Satisfaction	3
Total	**7**

Table 9. Frequency of the dimension of analysis "time horizon" (D8) and its values

Value	Frequency
V8.1. Long term	2
Total	**2**

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A New Definition of "Social Innovation"

In this section, we formulate a new definition of social innovation. To do so, we use the findings of this chapter and gather the dimensions of analysis whose frequency of occurrence is higher than the average. For each of those dimensions, we take into account only the values that are cited most frequently.

Based on what discussed in the previous section, we define social innovation as:

…any new object or process able to address a social need which change the socio-economic structure and/or improve the people's quality of life.

As summarized in Table 10, such a definition includes three dimensions of analysis, i.e. the deliverable, the effect and the domain of social innovation.

After developing the new definition, we checked if any other definition among those we examined, mentioned those (and only those) dimensions and value reported in Table 10. We found only one correspondence, i.e. the definition provided by the Forum on Social Innovation (2000), according to which "social innovation seeks new answers to social problems by: identifying and delivering new services that improve the quality of life of individuals and communities; identifying and implementing new labour market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce".

Indeed, our new definition underlines the same main features of social innovation: the need which creates it and the effect it produces. It is also consistent with the one formulated by Pol and Ville (2008): "an innovation is termed social innovation if the implied new idea has the potential to improve either the quality and the quantity of life; or new ideas with the potential to improve either the macro-quality of life or quantity of life". Nonetheless, our definition is at one time, more concise and sufficiently narrow, which in our opinion is a remarkable value.

CASES OF SOCIAL INNOVATION

In this Section we use some cases of social innovation to test the robustness of our definition. The literature indeed mentions several cases of social innovation in fields which cover human rights, boy scouts, song and dance methods, open source software, neighbourhoods nurseries, and wardens. We decided to analyse three of the most cited ones, namely the fair trade movement (e.g. Trifilova *et al.*, 2012; Hazelkorn, 2009), the microcredit (e.g. Bessant *et al.*, 2012; Cahill, 2010), and the open source software (e.g. Mulgan *et al.*, 2007; Hazelkorn, 2009).

Table 10. Dimensions and values for the new definition of social innovation

D1	V.1.1 and V.1.2	D5	V.5.1 and V.5.2	D6	V.6.1
Deliverable	Object	Effect	changing socio-economic structure	Field of need	Social
	Process		improving quality of life		

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We use the cases also to investigate the role of companies within the social innovation development process; in particular, we are interested in assessing whether they are profit-seeking or not, and whether they are positioned upstream or downstream with respect to the development of the deliverable.

The Fair Trade Movement

Fair trade is a trading partnership, based on dialogue, transparency, and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the developing countries. Fair trade organizations (backed by consumers) are actively engaged in supporting producers, raising the consumers' awareness, and campaigning for changing rules and practices of conventional international trade (FINE, 2001).

Pioneered in the UK and USA in the 1950s, and formerly limited to the importation of handicrafts from poor communities, the fair trade movement has grown globally especially since 1990s and extended to food and agricultural products, which now account for the bulk of the fair trade product range in the consumer markets of the developed countries (Ebong, 2008). In the economy of developing countries, the primary sector is still the largest one in terms of number of workers and most of the rural communities, when embodied in the network of international trade, have experienced a severe worsening of their standard of living.

To cope with such phenomena, fair trade aims at improving the livelihoods and well-being of producers, promoting development opportunities for disadvantaged producers, setting an example of partnership in trade, protecting human rights by promoting social justice, sounding environmental practices and economic security (Redfern and Snedker, 2002). Some of the drivers for fair trade are the settlement of fair prices (i.e. prices which cover the production costs and enable the improvement of workers' quality of life as well as preserve natural resources from depletion), the refusal of child labour, the pay equality between women and men, risk sharing agreements between farmers (or craftsmen) and buyers, prompt payment and, whenever possible, pre-harvest or pre-production financing.

The movement has grown exponentially from a moral rebuke of free trade into a world-wide movement and organization certifying, labelling, distributing, and selling a wide range of products, among which the most important are coffee, chocolate, bananas, and cotton (Hazelkorn, 2009; Ebong, 2008). There are about one million of fair trade producers worldwide, grouped in 3000 organizations that operate in more than 150 countries (CRC, 2006).

Although organizations involved in the fair trade typically are small companies, cooperatives, or consortia of them, several networks have been established to coordinate and support their activities. These networks – in shape of foundations (e.g. Fair-trade Foundation, established in 1992 in UK), informal no-profit associations (e.g.the European Fair Trade Association, established in the Netherlands in 1997), non-governmental organization (e.g. the Alternative Trading Organization), or meta-networks (e.g. the World Fair Trade Organization, which has been established in 1989 among fair trade producer cooperatives and associations, export marketing companies, importers, retailers, national, and regional fair trade networks and fair trade support organizations) – define standards to which one must conform to be acknowledged as a fair trade organization, and certify products and organizations by giving them marks and labels. In some cases (e.g. Fair-trade Labelling Organizations International), they also assists producers in gaining and maintaining certification and in capitalizing market opportunities on the fairtrade market.

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According to Hazelkorn (2009), the real success of fair trade has been to transform it from a fringe activity to a brand that cities and towns themselves have sought to embrace and highlight as a demonstration of ethical values – in the belief/realization that this is important for its own and tourists.

Microcredit

Microcredit is the (small) amount of money or, more generally, the provision of financial services that a bank or another institution loans to clients, usually low-income people who traditionally lack access to banking and related services (Cahill, 2010).

The origins of microcredit, as it is currently known, go back to several experiences conducted a few decades ago in Bangladesh. The Grameen Bank, which is generally considered the first modern microcredit institution, was founded in 1983 by Muhammad Yunus, who pioneered microfinance as a way of bringing banking services to an unserved part of the population. Microfinance refers to loans, savings, insurance, transfer services, microcredit loans and other financial products targeted at low-income customers: its ultimate goal is to build a society wherein people, irrespective of their financial conditions, have permanent access to an appropriate range of high quality financial services, useful to support entrepreneurship and alleviate poverty. Microfinance is designed also to empower women and uplift entire communities by extension. In many communities worldwide, in developed and developing countries alike, women lack a highly stable employment histories that traditional lenders require (Microfinance Information Exchange, 2009).

The model of microfinance pursued by the Grameen Bank is successful, serving some eight million people in Bangladesh and being profitable since 1993; it was widely replicated and now support over 200 million families worldwide, even if the original idea was rejected by the Bangladeshi government, the banks, the international relief agencies, and local business entrepreneurs (Bessant *et al*. 2012). As Schopenhauer (1942) observed: "every truth passes through three stages. First, it is ridiculed. Second, it is violently opposed. Third, it is accepted as being self-evident".

Microcredit is widely adopted in developing countries and is recognized as having "enormous potential as a tool for poverty alleviation" (Cons and Paprocki, 2008).

Open Source Software

Open source software is a software whose source code is made available (often, but not always, freely) to everyone (Bessen, 2002). The software is developed by developers who voluntarily interact, typically within web-based communities, and collaborate in designing and developing a software which they, or their organizations, need or desire (von Hippel and von Krogh, 2003).

Open source software may permit users to meet specialized needs more efficiently. It not only permits free customization, but relies on it: individual modifications that are contributed back into the shared source code allow open source programs to grow into highly featured, high quality products (Bessen, 2002). Open source principles and methods enable large numbers of people from different disciplines to work together and solve the myriad unexpected problems that surface in large scale projects (Huddart, 2008).

Sometimes, the network of open source software developer encompasses thousands of people worldwide; these are, for example, the cases of the communities that have originally developed, and still maintain, the Linux operating system and the Apache web server (a program for delivering web pages over the Internet). It is noteworthy that, even if the source code is usually distributed for free, it may

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require customization and support to be used (the software is created by developers for other developers so usually it lacks manuals and supporting guides). Therefore, there exist a plenty of for-profit companies who support (not specialized) customers in using open source software.

Testing the New Definition

We use the three above-mentioned cases of social innovation to test the robustness of the definition provided above, and to highlight the role of companies within the social innovation development process.

Our definition of social innovation involves three dimensions of analysis, i.e. deliverable, effect and domain.

The social innovation deliverable is a service (e.g. microcredit) or a process (e.g. fair trade). Both kinds of deliverables can be identified, to some extent, in all the cases. For instance, open source software, while providing a service (the software itself), provides also a collaborative process and improved software development approach.

The social need is also clearly expressed in the cases. In the case of microcredit, such a need is a more respectful trading system or the access to financial resources for people otherwise excluded from the financial market. In the case of open source software, it is the provision of dedicated and high quality software for companies and/or individuals.

As to the effect of such social innovations, the fair trade movement improves the quality of life of large categories of people (e.g. poor workers in developing countries, mostly women), and has a crucial collateral effect on social (in particular, economic) structure. Microcredit, whose goal is to improve the welfare of poor households through better access to small loans (Navajas *et al.*, 2000), enhances social capital, improves quality of life and changes social structures as it also affects female control (Zaman, 1999). Finally, open source software modifies the socio-economic structure: it makes everyone access to software, usually for free; the development teams develop software that often, even if not always, has better performance that those provided by traditional software companies and satisfy specific and in some cases not addressed needs; it also created a meritocratic community, the open source community, emerged and, to a less extent, improves quality of life, as it allows skilled people to transform existing software by themselves, based on the freely accessible source code.

The examined cases thus confirm the validity and robustness of the definition we proposed.

As to the role of companies within the social innovation development process, the three cases provide support for the following considerations. Fair trade movement promotes the mushrooming of small companies, not necessarily profit seeking, which manage the trade from the developing to the developed countries; on the other side, it allows independent farmers or craftsmen in the developing countries to keep their activities independent from mainstream business actors (e.g. corporations, manufacturing plants, or large-scale producers) and, at the same time, allow them to build local networks with other farmers and craftsmen. Moreover, the need to certify products and organizations by giving them marks and labels urges the emergence of new companies and organization, whose aims may range from providing those certification to support companies interested in obtaining them.

Also microcredit allows new business actors to emerge, both at the provider's side and at the buyer's one. The former includes business actors, such as banks and financial institutions, which design, promote, and sell financial products for low-income customers. Such actors are often ad-hoc established for

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microcredit. Nonetheless, as the model of microfinance is getting a foothold, even traditional financial companies have established their subsidiaries to provide microfinance services. The largest number of companies that benefit from microcredit, however, are the ones that grow out of the loans given to poor people.

Finally, as to open source, as it lessens the cost to provide software, it reduces the barriers of entrance in new markets for new and existing companies. Moreover, there exists a plenty of consultant companies and software houses which provide open source software users with customization and customer support. Such a service creates a new market and reveals the existence of substantial business opportunities.

CONCLUSION

The chapter investigates the nature of social innovation. Although social innovation is not a new topic (it emerged in the eighties), its importance has been lately dramatically increased due to the concurrence of several factors, which include the outbreak of the financial crisis. The paper contributes to the academic debate on social innovation by integrating the fragmented and dispersed literature on social innovation - and the numerous, and somehow dissonant, definitions of it. The final end is to assess a less fuzzy definition of social innovation. To achieve it, we propose a quali-quantitative approach by which three main dimensions of analysis, namely the deliverable, the effect and the field of social innovation, are emphasized. Based on them, we formulated a new definition of social innovation and test its validity and robustness on three remarkable cases of social innovation: namely the fair trade, the microcredit, and the open source software.

Our study contributes to clarify the nature of social innovation by providing a new definition and a first attempt to identify actors involved in social innovation. We are also aware of some of the limitations of the study.

Despite the review of the literature we carried out is extensive, it cannot be considered as exhaustive. Furthermore, as discussed in the paper, we neglected some dimensions of social innovation (those that were rarely cited), i.e. the beneficiary, the developer, the adopted resources, the performance, and the persistence, even if the last two are somehow included in the nature itself of innovation. We recognize that some of them could be relevant to describe the nature of social innovation. Similarly, according to the deliverable, it would be required a further investigation following a different path: social innovation as process which creates the innovation itself.

A further analysis, also by the study of more cases of social innovation, is needed. Finally, to test the robustness of the definition, more cases should be discussed.

A possible extension of our research will be to validate the definition on a larger sample of cases.

The cases and the definitions which have been analysed do not discuss some aspects such as the role of developers (who they are? do they usually operate according to specific schema?) and beneficiaries (are they active or passive? Are they involved, and eventually when?). We intend to investigate those aspects in future research.

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ENDNOTE

[1] CASPUR is an online Italian database which provides access to full-text scientific papers for 27 Italian Universities.

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APPENDIX A

Table 11. Definitions of "social innovation"

#	Definition	Author(s)
1	New ideas that work to meet pressing unmet needs and improve peoples' lives.	Mulgan, 2007
2	Innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organizations whose primary purposes are social.	Mulgan, 2007
3	An innovation is termed social innovation if the implied new idea has the potential to improve either the quality and the quantity of life; or new ideas with the potential to improve either the macro-quality of life or quantity of life.	Pol and Ville, 2009
4	New ideas that resolve existing social, cultural and environmental challenges for the benefit of people and planet.	Centre for social innovation, 2008
5	Conceptual, process or product change, organization change and changes in financing, and can deal with new relationships with stakeholders and territories	Forum on social innovation, 2000
6	Social innovation seeks new answers to social problems by: identifying and delivering new services that improve the quality of life of individuals and communities; identifying and implementing new labour market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce.	Forum on social innovation, 2000
7	Satisfying new needs not provided by the market or creating new more satisfactory ways of insertion in term of giving people a place and a role in production	Forum on social innovation, 2000
8	Production of new ideas and new kinds of social structures	Scott, 2007
9	Changes in the cultural, normative or regulative structures [or classes] of the society which enhance its collective power resources and improve its economic and social performance	Heiscala, 2007
10	Dynamics which change the rules of risk-benefit distribution and the role of social actors	Maruyama *et al.*, 2007
11	Social innovation involves acting on and manipulating functional role relationships, restructuring these relationships to achieve new goals or to allow old goals to be met more efficiently.	Mumford, 2002
12	The generation and implementation of new ideas about how people should organize interpersonal activities, or social interactions, to meet one or more common goals	Mumford, 2002
13	New ideas that successfully meet social goals through mission-related impacts	Serrat, 2010
14	Any product, process, design, initiative, or program that is created to address a social problem or need and that ultimately profoundly changes the flow of resources, authority, and meaning of the social system in which it is created	Antadze and Westley, 2010b
15	New strategies, concepts, ideas and organizations that meet social needs of all kinds and that extend and strengthen civil society	Wikipedia
16	Social innovations are not a result only of brilliant idea or of hard work by individuals but, rather, are achieved through the interplay of "effective demand" (the 'pull' factor) and "effective supply" (the 'push' factor). "The combination of the 'effective supply' and 'effective demand' results in innovations that achieve social impact and, at the same time, prove to be financially sustainable"	Mulgan *et al.*, 2011
17	Social innovation is how cities, national governments and businesses solve compelling challenges facing society by designing and developing new and more effective approaches	www.britishcounci.org
18	Innovations that on top of creating value for the individual or a specific organization or firm, also create value for stakeholders and for society at large.	Krull, 2008
19	Innovation for the greater good	Bessant *et al.*, 2012
20	New ideas that resolve existing social, cultural, economic, and environmental challenges for the benefit of people and planet. A true social innovation is systems changing – it permanently alters the perceptions, behaviours, and structures that previously gave rise to these challenges	Centre for Social Innovation: Toronto
21	New ideas (products, services, and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. In other words they are innovations that are both good for society and enhance society's capacity to act.	Mulgan *et al.*, 2010
22	The design and implementation of better ways of meeting social needs	Centre for Social Innovation: New Zeland

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Table 11. Continued

#	Definition	Author(s)
23	Social innovation seeks to improve the well-being of people, communities and society.	Dawson and Daniel, 2008
24	An innovation in its insight and assimilation of existing knowledge and extrapolation of understanding to produce something new.	Dawson and Daniel, 2008
25	New ideas that work in meeting social goals in conjunction with other organizational, technical or scientific goals.	Dawson and Daniel, 2008
26	If you only concentrate on technology research then you invariably get technology innovation, but if you also research the social and the cultural, then you get social innovation.	Dawson and Daniel, 2008
27	The development of new concepts, strategies and tools that support individuals and groups to achieve improved well-being.	Dawson and Daniel, 2008
28	Processes of invention, diffusion and adoption of new services or organisational models, whether in the non-profit, public or private sector. It also describes the outcome – the service or model being developed	SIX et al, 2010
29	Innovations that are social both in their ends and in their means.	SIX *et al.*, 2010
30	It can be a product, production process, or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them.	Phills *et al.*, 2008
31	Social innovation is innovation that is explicitly for the social and public good. It is innovation inspired by the desire to meet social needs which can be neglected by traditional forms of private market provision and which have often been poorly served or unresolved by services organised by the state.	Harris and Albury, 2008
32	A novel solution to a social problem that is more effective, efficient, sustainable, or just better than existing solutions and for which the value created accrues primarily to society as a whole rather than to private individuals	Phills, Deiglmeier, & Miller, 2008: 36
33	New behaviours ... that leads to improved health and well-being, and arguably, quality of life.	van den Hove et al., 2012
34	New needs and new aspirations arising within society	Lévesque, 2007
35	Processes and mechanisms that facilitate the process of adopting change	Tafel-Viia *et al.*, 2012
36	Social innovation as an important 'enabler', facilitating the implementation and adoption of the 'main' innovation	Gopalakrishnan and Damanpour 1997; Moulaert *et al.*, 2005
37	Social innovation is explained as change in multilevel social institutions that encompasses regulative, normative and cultural elements of institutional change	Heiskala, 2007
38	The compound of collective practices aimed at satisfying material and immaterial human needs through the transformation of social relations.	Moulaert *et al.*, 2007
39	Typically diffuse events involving interactions among multiple parties over rather long periods	Mumford, 2002
40	Social innovation is a major influence in the process of economic development, an important explanatory variable for the pattern of development of both economic and social structure	Gershuny, 1982
41	The application of a new idea, or a new application of an existing idea, that delivers lasting social value.	Flew *et al.*, 2008
42	The process of implementing and adopting change	Tafel-Viia *et al.*, 2012
43	Social stands for: social needs and problems, social value and balance in creation and capture of value favours the public; innovation stands for: novelty, performance improvement, magnitude and implementation/adoption	Phills, 2009
44	Social innovation has four fundamental elements by which it can be understood: people, challenge (which may be a problem or an opportunity), the process (by which that challenge is negotiated and understood) and the goal (resolution of the challenge and increased social well-being).	Dawson and Daniel, 2008

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APPENDIX B

Table 12. Analysis of definitions of social innovations and dimensions of analysis

# of Definition	Deliverable	Developer	Beneficiary	Adopted Resource	Effect	Field of Need	Performance	Time Horizon
	D1	D2	D3	D4	D5	D6	D7	D8
1	X				X	X		
2	X	X				X		
3	X				X			
4	X		X			X		
5	X				X			
6	X				X	X		
7	X				X	X	X	
8	X				X			
9	X				X	X		
10	X				X			
11	X				X		X	
12	X				X			
13	X					X		
14	X				X	X		
15	X				X	X		
16						X	X	
17	X	X				X	X	
18	X		X		X			
19	X							
20	X		X		X	X		
21	X		X		X	X	X	
22	X					X	X	
23			X		X			
24	X			X				
25	X					X		
26						X		
27	X		X		X			
28	X							
29	X		X			X		
30	X							
31	X		X		X	X		
32	X		X		X	X	X	
33	X				X			

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Table 12. Continued

# of Definition	Deliverable	Developer	Beneficiary	Adopted Resource	Effect	Field of Need	Performance	Time Horizon
	D1	D2	D3	D4	D5	D6	D7	D8
34	X					X		
35	X							
36	X							
37	X				X	X		
38					X	X		
39		X						X
40			X		X	X		
41	X			X	X			X
42	X							
43	X		X			X		
44					X			

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Chapter 9
Women's Economic Empowerment in the Developing Countries: Reengineering Patriarchy?

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ABSTRACT

It is an established fact that women's empowerment is primary to the socio-economic and political development of a nation. It will be meaningless, if women that constitute half of the population of the globe do not have access to education, healthcare, employment and political decision making bodies. A nation benefits fully when both men and women contribute rigorously in social cohesion, economic growth, peace and prosperity. Findings from countries and reputable institutions such as World Bank and the United Nations revealed that greater gender equality correlates positively with national economic growth. The World Economic Forum recently reported that across the 135 countries examined, greater gender equality correlates positively with per capita gross national product. Countries with greater equality between women and men have economies that are more competitive and fast growing. Hence, removing barriers on empowering women stimulates economic development. This chapter commences with the meaning of women empowerment followed by the identification of various barriers on women empowerment, and investigation on women economic empowerment in the developing countries. The patriarchal system is also introduced to explain how it influences women empowerment. Finally, this chapter argues that women empowerment in general can only be achieved if the patriarchal system is transformed or reengineered to foster more equality between both groups.

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INTRODUCTION

Women are unequal to men in all aspects in the developing world and gender disparity is more prevalent among poor people (World Bank, 2001). International attention on the discrimination of women was raised in the 1970s, when the United Nations (UN) convened its first World Conference on the Status of Women, in Mexico City in 1975. It marked a new era at the international level when it opened a worldwide dialogue on gender equality. It also marked a sharp difference among the women gathered there reflecting the politics and economic realities at that time. While women from the Eastern Block were more concerned with peace issues, women in the West pressed more for equality while those in the developing countries prioritised issues relating to development. The UN, as an international organization, continued to promote gender equality through its track records in organizing the second world women conference in Copenhagen, Denmark, in 1980, the third one in Nairobi, Kenya, in 1985 and the fourth in Beijing, China, in 1995 (UN Women, 2000).

The Beijing Conference was significant because it marked the beginning of the struggle for gender equality. It also called for total restructuring of the entire society in order to re-evaluate the relationship between men and women. It was argued that through these practices, women could be truly empowered to take their rightful place as equal partners of men in all aspects of life. Women's rights are human rights and gender equality has become a universal concern. Twelve critical areas were identified namely; women in environment, women in power and decision-making, the girl child, human rights, women and education and training, violence against women, women and poverty, institutional mechanisms for the advancement of women, women and health, women in armed conflict, women and media as well as women and the economy. They also identified the obstacles to women's advancement in the respective areas. It required strong commitment from the respective national governments to remove the identified barriers (UN Women, 2000). In the post-Beijing era, in the context of women and poverty, although overall poverty had declined, many women were still trapped in poverty. Over 60% of the women in the developing countries engaged in various types of informal employment, meaning unstable earnings and high risks of poverty (UNIFEM, 2005).

The economic participation of women is vital not only in reducing poverty among the women, but also an important step towards raising household income and encouraging economic development in the country as a whole. However, it shows that there are several barriers impeding economic empowerment and patriarchy is the most prevalent one (World Economic Forum, 2005).

WOMEN'S ECONOMIC EMPOWERMENT

Women's economic empowerment is an achievement of women to be able to choose and control their economic activities and incomes. It is also an enhancement of women's rights to enable them to have control over their lives and also contribute to the society at large. The main objective of women's economic empowerment is to create just and equitable societies (OECD, 2011). In order to provide sufficient knowledge and understanding about women's economic empowerment, this section starts with broad definitions of relevant terms and concepts related to women's economic empowerment before exploring the context of economic empowerment for women in the developing countries

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Empowerment

The term empowerment was first used in the 17th century. Literarily, it connotes "authorize", "delegate" or "enable". It implies transfer of power over a period of time. It helps people to gain control over their own lives. It also refers to a process that fosters power in people for use in their own lives and their communities on issues which they think are more important to them (Mandal, 2013).

Rowlands (1997, pp.9-13) explained the conception of power in the context of empowerment. According to her, power is the root of empowerment and it can be seen in operation at many levels, from the household to national or even at the international setting. Power can be used to understand the process of empowerment which the former takes many different forms: First "power-over" shows that there is a controlling power, hence, resulting in a domination and insubordination. As a result of this, some people will have more while others will have less. The relationship between the two involves intimidation, threats of violence and resistance. Second, "power to" refers to the generative or productive power which prevent domination. It enables individual empowerment. Third, "power with" is a sense of the whole being greater than the sum of the individuals, especially when a group come together collectively for a common purpose or understanding. Lastly, "power from within" is the spiritual strength and uniqueness in any individual which make him or her truly human. A person in this situation possesses self-respect and self-acceptance, hence, he or she tends to recognize, respect and accept others equally.

In the context of women empowerment in the developing countries, the concept of "power over" emerges as the major hurdle. To empower the women, they have to be brought into the decision-making process. The "power to" and the "power with" mark that the women are aware of their rights and needs, and acquire necessary skills and abilities to improve and upgrade their lives. The women will relate with others and form a collective front to ensure the full realization of their needs and interests in various endeavours.

Economic Development

Economic development has a broader interpretation and implication than economic growth. Therefore, to understand economic development, it is essential to know the meaning of development. In general, development can be defined as achieving human fulfilment. Crewe & Harrison (1998) suggest that development should be an ideal objective and outcome towards which institutions and individuals aim for. Similarly, Hulme & Turner (1990) view development as a conscious action to bring about a desired transformation in a society. Both definitions suggest that development policies and plans are designed to ensure a society with better economic and social achievements. In a similar vein, Mabogunje (1980) sees development in various positive perspectives; as economic growth, as modernization, as distributive justice and as socio-economic transformation. Thirlwall (1994,) refers to development as a change and adds that development as a term is used to describe "the process of economic and transformation within countries" (p.9). Goulet (1971), classifies development in three ways; life-sustenance, self-esteem and freedom. This includes the fulfilment of basic needs, the feeling of not being exploited and independent and also the freedom to choose and to determine your own destiny.

According to Tadaro and Smith (2012, pp.22-23), development should provide at least the following conditions:

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1. Increase the availability and widen the distribution of basic life-sustaining goods such as food, shelter, health, and protection.
2. Raise levels of living, including, in addition to higher incomes, the provision of more jobs, better education, and greater attention to cultural and human values, all of which will serve not only to enhance material well-being but also generate greater individual and national self-esteem.
3. Expand the range of economic and social choices available to individuals and nations by freeing them from servitude and dependence not only in relation to other people and nation-states but also to the forces of ignorance and human misery.

In a nutshell, the most suitable definition for economic development for this case is as described by Berg (2012), "the full range of changes in humanity's economic, social, and natural environments that are perceived by people as making life more pleasant and satisfying" (p. 28). This means that economic development should contribute positively to socio-economic condition of the overall population which also includes women and other disadvantaged groups. However, emphasis is placed on women's economic empowerment in achieving a better household in the society.

Women's Empowerment and Economic Development

Women's empowerment aims to provide equal distribution of power between the sexes. Both men and women should be provided equal economic, social, legal, and political opportunities for developmental society. To empower women requires self-esteem and self-confidence as well as understanding their potentials, appreciate them in order to develop their knowledge and skills. Women deserve equal distribution of power and involvement in decision-making at home, in society, in economy and politics (Panigraphy & Bhyuan, 2006).

Women's economic empowerment is a prerequisite for sustainable development, pro-poor growth and the achievement of all the Millennium Development Goals (MDGs). That is why a platform for increasing donor investments in the women's economic empowerment (United Nations, 2013) is necessary. Achieving women's economic empowerment is not a "quick fix", it will take sound public policies, holistic approach and long-term commitments from all development actors. This is achievable through integrating gender-perspectives at the design stage of policy and programme. In addition, more equitable access to assets and services such as land, water, technology, innovation and credit, banking and financial services will strengthen women's rights, increase agricultural productivity, reduce hunger and promote economic growth.

Empowerment of women is not only significant in the developing societies, but also to the world and that is why it becomes a focus of the international organizations like the United Nations and the World Bank. This is based on the belief that investment in women's skills and giving them power to make their own selection is not only important but also leads to economic growth and development (UN, 1995).

Long-term studies and observation prove that investments in women's economic activities and gender equality yield the highest returns of all development investments. A higher proportion of incomes generated by women are often spent for their families and communities than that of men (OECD, 2011). A study in Brazil showed that when the mother controls her household income the likelihood of a child's survival increases by 20 per cent (OECD, 2011). Therefore, women's economic empowerment is very vital to developing countries because of its huge contribution to the nation's future socio-economic development.

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Gender equality and women empowerment have been moving hand-in-hand in most parts of the world. The movement involves women from various levels, from single mothers to housewives to women at professional levels. The progress has acknowledged women's participation in economic activities as employers, employees, and entrepreneurs, and their contributions to national economic growth. It also recognizes equality between men and women in health and well-being, educational attainment and political empowerment (World Economic Forum, 2005).

The United Nations, the World Bank, USAID, UNDP, WHO, IMF and many other international development agencies have initiated and sponsored various socio-economic development programmes and formulated various development policies with the aim to empower women socially and economically. In addition, policies, programmes and activities have been progressively formulated, planned and implemented by many developing countries that have empowered many women to improve their socio-economic status.

In this case, women's economic empowerment would contribute to economic development of the households, societies and nations. At present, among the objectives of women's economic empowerment is to increase women's access to economic resources and opportunities to enable them to participate and contribute to the nation's economic growth (OECD, 2011).This will contribute and enhance the ability of women to have control over their lives and improve their decision making ability within household. Invariably, this fosters women's property rights, equitable and just societies.

Not only that, gender equality promotes economic growth because literate women stand better chance of securing employment. With this, reduction of poverty in household is guaranteed. As rightly observed by (Kabeer, 2012), giving women the access to economic resources strengthens economic growth of a society. By empowering women, it enhances a balanced society where both men and women constitute a unit. The voices of both groups should not be treated differently, but equally listened to. When a woman is empowered, it means she is aware of her rights, possesses self-confidence, and has the ability to control her life and make changes in the society (Sohail, 2014).

Similarly, the nexus between women empowerment and economic development can be viewed via two directions. First, as women are empowered, economic development also increases. Second, as the economy develops, women get empowered. Sohail (2014) argues that gender equality promotes economic growth. When women are given better health care, education and public safety at work, it increases productivity level which subsequently promotes economic growth. Aid (2010) also shares a similar argument that women's economic empowerment will increase as women health improves. A study on socio-economic changes among women in Kerala State, India, discovered that economic empowerment among women leads to sustainable social development (Kenneth & Seena, 2012).

Although economic empowerment has been accepted as one of the approaches to including women among the players that contribute to the socio-economic and political development, implementing programmes in sustaining this faces set back in developing societies. This means that there are gaps between policy development and the actual implementation (Upadhyay, 2010). These issues and challenges are more apparent in the rural environments rather than in the urban areas as far as developing countries are concerned.

Issues such as plurality, constraints and restriction confronted by many women in the developing world are the fundamental challenges that need to be recognized by the policy makers and this is also consistent with a statement made by Gutmann (1985) that, the women empowerment projects were not successful due to their failures to take into consideration the plurality issues among women. In addition, some groups of women may face multiple constraints and restrictions to participate in the economic

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development programmes due to the dynamism of groups among women (Duflo, 2012). However, whatever programmes or policies for implementations should take into consideration the dynamic of women groups which make their demands to vary. For example, in a study in Ahmedabad, Gujarat, India, self-employed women were offered business training to boost their incomes. Upper caste women benefitted from it, but not the lower caste women. Perhaps, the upper caste women had more business experience. Hence, the programme only benefitted a relatively a small proportion of women (Duflo, 2012).

Therefore, the underpinning drawback in promoting a strong relationship between women empowerment and economic development is the failure to confront issues and factors impeding a large number of women in developing countries from the benefits provided by various development agencies. Several studies have suggested solutions to tackle this state of affairs. Among the solutions are, to improve women's rights to access to services and facilities available in the communities, to improve their quality of life and enhance their ability to control their future and to improve their family well-being. To enable women to be economically empowered, they should be provided with free or affordable and accessible childcare.

Any direction one may choose, it could be strongly argued that by not empowering the women, the economy of a country will not develop and the tendency of poverty to reign in such society is very high. The World Economic Forum's First Report on 58 countries, examining to what extend the women have achieved equality with men in five critical areas (economic participation, economic opportunity, political empowerment, educational attainment, and health and well-being) concludes that, countries that do not capitalize on the full potential of women in their societies are misallocating their human resources and undermining their competitive potential (WEF, 2015).

WOMEN IN THE DEVELOPING COUNTRIES

The term "developing world" is often associated with poverty and inequality. Many literatures have discussed the incidence of poverty and hardship experienced by women in the developing countries. International agencies such as the United Nations, the World Bank, UNHCR, WHO and others, have also become the key-players in providing financial support, services, infrastructure and training to alleviate poverty.

In the past, more than 70 per cent of the poor in this world were women. A United Nations report demonstrated that in the early 90s, the number of rural women living in poverty in the developing countries had increased by over 50%. Poverty among the rural men had increased by 30% in the same period (United Nations, 1996; UNDP, 1995). This trend was characterized as feminization of poverty and had become a key concern of the World Summit on Social Development (United Nations, 1996). Even though the percentage of poverty in the developing world has decreased, feminization of poverty remains as a prominent issue that needs further scrutinization.

Feminization of poverty applies to a situation where the existing social and economic practices have made women to be vulnerable to poverty. Therefore, women are more susceptible to poverty and the degree of poverty experienced by most women is worse than that of men. Feminization of poverty is also a situation where girls and women are given less access to education, health care and food than boys and men. In addition, women's traditional and cultural practices have caused unequal inheritance rights (Bhat, 2002). In certain cases, women do not have property rights, the rights for inheritance and lacked the rights to control goods such as land and housing (Vicente, 2005).

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Many development experts have emphasized that previously, in general, the division of work between genders was more obvious in the developing countries and in most cases women had been technically excluded from the rural development programmes (Robertson, 1984; Bernstein, Gosh & Bharadwaj, 1995; Crow & Johnson, 1995). Mabogunje (1980) pointed out that in rural societies in some South African countries, the women usually did farm work to help their husbands and relatives but did not have any power in managing and organizing this farm work. Mabogunje (1980) added that the development programmes were usually focused on men as land managers even though in some cases women had been doing the work. In certain land division cases, women got a smaller fraction of land than men. These inequalities caused higher percentages of women to work as casual workers. The unemployment rates were also high among the casual workers (Gosh & Bharadwaj, 1995). In many developing countries, women were overburdened with their own work and household work such as carrying out income-generating activities and accommodating their husbands' needs for more labour in their cash crop fields (Boer, 2001).

Various international government and non-governmental agencies have implemented various types of economic development activities to surmount feminization of poverty and to empower women. Numerous programmes focus on providing education to girls. Among the programme is the Food for Girl's Education Programme in Yemen to encourage girls to attend schools. Since 2010, 200,000 girls have benefitted from the programme (United Nations, 2013). Also a UNICEF-supported programme offers scholarships to encourage Somalian girls to enroll and stay in school. Currently 453 primary, secondary and university girls/women are beneficiary of the scholarship scheme. To help addressing sexual violence in Rio de Janeiro, Brazil, an online website was launched by the UN Women and UN-Habitat. The website contains important and valuable information such as abuse hotline numbers and information about the rights of women as well as the responsibilities and locations of Specialized Women's Attention Centres (United Nations, 2013).

Among the well-known economic development programmes is the micro-finance or credit facility that has been employed by most government and non-governmental agencies throughout the world to empower women in their economic activities. Bangladesh, as a leading country in micro-credit, has empowered thousands of poor women. This approach is followed by many micro-credit agencies like Amanah Ikhtiar Malaysia (AIM) in Malaysia, the Center for the Development of Women's Resources in Indonesia, Pro Mujer in Latin, Fonkoze in Haiti (Philanthropedia, 2012). The United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) has also become partner in microfinance or credit programmes with several developing countries including Vietnam.

Besides the above programmes, USAID formulated a Policy Paper on Women and Development in 1982 focusing on Gender Equality and Female Empowerment (USAID, 2012). The aim of the policy was to promote gender equality, promote women empowerment and hence improved the lives of women around the world. At the country level, Gambia has introduced a Gender Policy for 2010-2020 focusing on priority areas such as education, health, sustainable livelihoods development, governance, human rights, poverty reduction and economic empowerment (African Development Bank Group, 2011). In addition, India introduced the Gender Budget Statement for the 2005- 2006 financial year.

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WOMEN EMPOWERMENT: ISSUES AND CHALLENGES

As mentioned earlier, women faced various limitations and rules and regulations that restricted them from being actively involved in the economic development programmes organized by various agencies. According to the literature, several factors have posed barriers to women's economic empowerment in the developing countries. Discriminatory gender is still prevalent in the developing country which is primarily due to cultural norms and traditional practices. These have reinforced women's subordination in the families as well as the communities. Even though the practices deprived women, they do not constitute discrimination because they are acceptable norms. Dinne and V.Le (2015) explain that women in Vietnam are expected to care for the children and the elderly in the family. The culture rules that the women should be tolerant and passive whenever a crisis arises with their spouses to maintain family unity.

The occurrence of domestic violence is prevalent, but people are not aware of it or conceal it due to the social stigma. If it does not result in serious injury, then, domestic violence is seen as "normal" until the woman suffers from serious injury or the marriage is at stake. Lama (2013) who reviewed the literature on women's economic empowerment in India mentioned that due to traditional norms, the women's right places are at home and taking care of the families. This has resulted in the women working from 10 to 12 hours catering for familial responsibilities, such as childcare and cooking, besides helping their husbands in the agricultural sector. They are also perceived as being inferior to men. Similar expressions can be also found in Upadhay (2010, pp.1) that "women and girls have restricted mobility, access to education, access to health facilities and lower decision making power, and experience higher rates of violence". This discrimination is derived from the social and religious construct of women's role and their status in India. Similar scenario can be seen in Nigeria, where the women are under stress due to overwhelming responsibilities at work and home (Lesiele, 1999). Women in Iran are hindered from experiencing economic empowerment due to their familial responsibilities (Sarban & Hassanzadeh, 2014).

Illiteracy and lack of access to education also appear to be one of the main barriers to women's economic empowerment. Developing countries marked a low literacy rate as compared to the developed countries (OECD, 2011). Female children in Nigeria are often given less priority for education compared to their male counterparts (Lasiele, 1999), and often the former are entrusted with the role of "second mother", assuming responsibilities of the household such as looking after the younger siblings (Lama, 2014). Due to low educational backgrounds, women in India have limited economic opportunities compared to women with better education (Upadhay, 2010). In Vietnam, although there is a small disparity between Vietnamese boys and girls attending school, 72% and 70% respectively, there is a huge disparity between boys and girls in the ethnic minority groups in Vietnam. At the national level in 2010, adult literacy rates for men and women were 94% and 88% respectively (Dineen & V.Le, 2015). Rural women in Iran constitute a major portion of the labour force, and their participation is not considered vital in the social decision-making processes due to their limited access to formal education (Sarban & Hassanzadeh, 2014).

The right to property is often ignored. Women's land rights are crucial issues in the developing countries because women constitute 43% of the agricultural labour force and this percentage increases to 50% in the Eastern Asia and Sub-Saharan Africa. Given the fact that 40% of the total population in rural developing countries depend on land, land has become an important asset for security, nutrition, income and status. However, women's rights relating to land ownership are often ignored or lost. And in India for instance, the loss of land ownership is due to customary practices of family law rather than the formal law (Prosterman, 2013).

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A study conducted in the rural areas in Vietnam revealed that even though 74% of women entered the labour force as compared to men, (82%) in 2010, the participation of women in the formal sector has declined. In addition, they earned approximately 70% of the income that earned by men. Like as it is obtainable in other developing countries, more than half (64%) of the women concentrated in the agricultural sectors. They worked more hours than the men in aquaculture, artisanal fisheries, small livestock production management, and agricultural-product marketing. In addition, women contributed actively to household incomes through petty trades, food processing, and handicrafts (Dineen & V.Le, 2015).

Studies by the Poverty and Inequality Institute (SPII) in South Africa narrated the experiences of two participants of SPII's 'Social Protection and Local Economic Development (LED): Graduation Pilot Project', The following illustrations illuminate the limitations and restrictions faced by women in the process of empowering themselves in South Africa:

Participant 1: She had to withdraw from the programme due to the husband's refusal at the expense of her willingness to acquire education through participation in the programme. Her husband argued that he was able to provide everything she needed as a married woman. Therefore she did not have to acquire any new skills. She decided to obey her husband's instructions because as a wife she could not defy her husband.

Participant 2: She was selling traditional fast food outside a tavern every weekend. After attending the Basic Business Management Skill training component of the above programme, she was able to reduce the price of her products compared to other fast food businesses in the area. This caused a male fast food seller to verbally abuse her to the point that made her considering moving to another location.

The above scenario coupled with the aforementioned challenges testifies to the influence of patriarchal values and system which has been imbedded and accepted by the population of developing countries.

THE PATRIACHAL SYSTEM

The issues and challenges can be surmounted if the fundamental phenomenon, the patriarchal system is handled systematically. Though it may not be an easy task to adjust the system which has been so embedded, practiced and harmonized in the majority of households, community and national systems, scholars on women empowerment directly or indirectly, lamented that patriarchy emerges as the main barrier in empowering women (see Rawat, 2014; Lama, 2014; Dineen & V.Le, 2015; Sarban & Hassanzadeh, 2014; Mandal, 2013, Schutte, 2013). Rawat (2014, p.43) mentions that:

…depowerment of women is linked to the belief and practice of patriarchy which subjugates women at various levels-political, economic, social and cultural…deep social transformations will take place only when the concept of patriarchy is shaken …

Living in patriarchy influences the way and the form of gender relations. It varies from place to place depending on the degree of social and cultural definition of the roles of men and women. The big question however is; can patriarchy be altered in order to enable women empowerment? But first, it becomes imperative to understand the concept of patriarchy.

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What Is Patriarchy?

Patriarchy can be defined literally as the rule of the father or fathers. Patriarchy sometimes refers to the rule or power of adult men over others. Hearn (1992, p.48) explains that this notion sometimes is reflected as "viriarchy", "androcracy", "andrarchy" or "phallocracy". However, "patriarchy" is perceived as the most suitable term because it is more meaningful since it refers to hierarchy, even outside its literal sense. It also reflects a social construction of fatherhood and its derivatives. In contrast, Hearn states that the former terms are ambiguous in referring to both "men" and "males".

Patriarchy is the highest operating system, invisible, yet visible through family, community and state, in formal or informal settings. It has been embedded in human lives for so many years. Patriarchy refers to a social and ideological construct which considers men as superior to women. As defined by Walby, it is a social system in which the role of the male as the primary authority figure is central to the social organization and where males hold authority over women, children and property (cited in Rawat, 2014, pp. 44-45),

For the structural functionalist, the social system is composed of interrelated parts which operate together to keep the balance in the society. Each element of the society functions in some way to maintain the social order. Any change, if rapid, will be disrupted; hence, it should be slow and evolutionary in nature. In terms of gender, structural functionalists accept that men and women are physically different; hence, men are stronger and bigger than women. Due to these differences, they have different gender roles. Since women's primary roles are bearing and caring for families, hence, they are restricted at homes. In contrast, men are perceived as economic providers and the protectors of the families.

However, this perspective is criticized by the feminist sociologists. They argued that portraying masculinity and femininity based on human biology is natural. The former is claimed to be mistaken between gender and sex. Although feminist sociologists argue biological differences do play some role in gender differences, they are actually a product of social creation. Both masculinity and femininity happened to be the product of social interaction and process (Renzetti & Curban, 2003). Evelyn & Adedayo (2014) share a similar perspective that, biological differences do not necessarily determine the roles of men and women in society. Instances were drawn from some societies which reflect that certain tasks are not always performed by men and others by women. For example, the Mbuti pygmies in Congo, Africa, do not segregate men or women to do the hunting. Similarly, among the Aborigines in Australia, women are responsible for seal hunting, fishing and catching opossums (tree dwelling mammals). Women also participate in the armed forces in Israel, China and Cuba. Some women work in men's associated industries such as women in India work on building sites, while some women in Latin America work in mines.

Edley & Wetherell (1995) explain that the reproduction of masculinity is predominantly a family affair. The gender identity that every male embraces is shaped primarily by the relationship that he experiences at the early stage of his life. By the time he is ready to lead his own life independently, his gender "personality" is already established. At the same time, society around him reinforces the development of the personality and socialization as a male individual. It can be seen in the division of labour, whereby the father joins paid employment while the mother stays at home caring for the family. Lee & Newbye define socialization as "the business of learning the normative standards of society" (cited in Edley & Wetherell, 1995, p.70). Although it can be argued that through socialization at the level of society has made males manly, there must be practices that mold and define the meaning of masculinity at the sub- set level such as the family. These normative standards would inform us, such as, how a man should dress, how he should behave in public and the things he should and should not think. It is

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termed as "male-sex role" (Edley & Wetherell, 1995, p.70). This process has eventually brought about patriarchy or patriarchal culture in a society or a place. The patriarchal cultural core value is controlled and dominated in almost every area of human existence. Gaining and exercising control is a continuing goal of great importance. It reflects the "power over"- the ability to control others, events, resources, or oneself in spite of resistance, rather than alternatives such as the ability to cooperate with others, or to act in harmony with nature (Johnson,1997).

Structure of Patriarchy

Male dominance can be seen in various levels. Wald (1990) explains that there are six forms of patriarchal structures namely; mode of production, paid work, state, male violence, sexuality and cultural institutions. From these structures, it can be argued that there are two main forms of patriarchy, private and public. Private patriarchy takes place when individual males exploit women's labour in the household and exclude women from public life. This form of patriarchy mainly took place in the 19th century Europe. The form persisted until the early 20th century, when the feminist movement intervened. They agitated for a space for women in the public spheres. Thus, the notion of public patriarchy emerged when the state and employment affairs permit less number of women in the state and organization. Moreover, women are designated to lower paid jobs respectively (Evelyn & Adedayo, 2014).

Hence looking at the structures of patriarchy, women face male dominance at the level of the family and the community (private), and as well at the institution and the state level (public). For instance, at the private level women may have to work at their husbands farms but do not have any power to manage or organize the farm work (see Mabogunje, 1980). Sometimes the husbands overburden them with farm work and household work (see Boer, 2001) and women are expected to care for the children and the elderly in the family. The women are expected to be tolerant and passive even when a crisis emerges to the extent that domestic violence is prevalent (Dinne & V.Le, 2015).

In terms of public patriarchy, the state translates it through policies or regulations. It can be seen in the practices of some countries and Singapore is taken as an example in this context. According to Chan (2000), the state has improved many areas to treat women as equal to men; among others, equal ownership rights to property, equal rights to divorce, to be equally responsible for their children, and have equal rights to social and economic participation. This has been spelled out in the Women's Charter which was passed in 1961. And other laws also came into place to protect women and the family as the fundamental unit in the society. However, in spite of these developments, the state overtly displays the defense of patriarchal system as a desired and desirable form of governance (Chan, 2000, p.46). In the 80s, it was observed that the state defined the roles of women in the family as to care for their children. Through its education system, secondary one and two female students were not allowed to take any Technical subjects and Home Economics was the compulsory subject for girls. Male students were prohibited from taking the Home Economics subjects. However, this policy was revoked in 1994. The state also imposed patriarchal practice in its medical treatment. Only male employees could claim medical benefits for their families while the female family members did not have that access. However, those women who were widowed or divorced or whose husbands were seriously ill would be eligible for the benefits. While defending this practice, the respective Ministry argued it was due to economic difficulties. However, after the economic boost, the Ministry maintained the policy on the ground that, it preserved the structures of the society. The Minister was reported to have said that "it is the husband's responsibility to look after the family's needs, including the medical needs. This is how our society is

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structured. It would be unwise to tamper with this structure" (Chan, 2000, p.48). This statement dismisses the fact that there are female headed household in Singapore. Goh Chock Tong, the then Prime Minister, had once said that "(in) a largely patriarchal society, minor areas where women are not accorded the same treatment should be expected so long as the welfare of women and of the family is protected. I would not regard them as "pockets of discrimination" or "blemishes" but as traditional areas of differential treatment" (Chan, 2000, pp. 40-41). As a result of the state patriarchal policies, Chan added that, it yields the effect of relocating women back to homes, making them responsible for child rearing and other household duties, in spite of making calls for women to contribute to the economy.

Hence, it can be seen that, women have gained less and encountered discrimination in a patriarchal system which is embedded in the family, society as well as the state level. If the system persists, then, women would continue to be "depowered" as Rawat (2014) rightly mentions that, depowerment of women is associated closely with the belief and practices of patriarchy. "…deep social transformation will take place only when the concept of patriarchy is shaken…"(p. 43).

Reengineering Patriarchy?

How can women be empowered economically, socially and politically? In terms of economic empowerment, as discussed mainly in this chapter, it is through the gendered approach that would design good economic and developmental policies and programmes which cater for the needs of the women. Evidence has shown that women benefited in terms of higher incomes, property creation, reduced poverty among women (OECD, 2011), receiving better health care, education and public safety at work (Sohail, 2014; Aid, 2010).

As it can be observed from the previous instances, women found themselves deprived due to the extra workload of taking care of the children and other family members. Some of the women worked outside homes to cater for the needs of their respective families. The majority of them, who are employed, receive low incomes with working long hours. Some of them also endured domestic violence; hardly expose the sufferings due to social stigma. Some of them were also being denied access to education. This subjugation of women was also certainly endorsed by the government or the authority. However, it is only by reengineering the existing practices and perception related to patriarchy, that the whole problem of women empowerment, including that of economic empowerment can actually be solved.

Although it is difficult to alter the system of patriarchy as it is embedded in the society irrespective of the location, the substance of the system can be gradually changed through the new construction of gender relations. There is a need for gender education and awareness among men of all age groups irrespective of social class. This approach is championed by the UN Women and was recently launched at Tsinghua University Beijing in China. The "HeForShe" campaign is a solidarity movement designed to engage men and boys around the world in gender equality discourses. It calls for men's support for women's right and give women more opportunities to develop their potentials. The Regional Director of UN Women Asia and the Pacific and Representative in Thailand, Roberta Clarke, during the opening of the event said "We ask for awareness, we ask for social change" (UN Women, 2015).

It is already a global call made by the UN Women, and it is now left for the states, organizations and individuals to make it happen. Through this exercise, gender awareness can be done not only among men but also women. With this state of knowledge, acknowledging the differences in terms the roles and the relationship of men and women is guaranteed. In addition, it will also enlighten the people, the women in particular, that they have great potentials that can be fulfilled. At the end, with this state of knowledge,

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the diversity and variation between men and women will result in differences to be observed in power relations, statuses, privileges, and needs. (Women's Resources Center Armenia, n.d). Therefore, this understanding about the relationship between men and women will subsequently promote equitability and improve the general well-being of both, particularly women. With this state of affairs, the patriarchal system will gradually dilute to accommodate women's rights and needs and can be reengineered. Hence, women empowerment initiatives can be fully realized and the nation will experience efficient economic development as well as other aspect of development.

CONCLUSION

Women economic empowerment is vital in reducing poverty among women, enhancing gender equality, improving social well-being of the women and also improving the lives of the communities at large. Evidences have proven that by empowering women economically, the social well-being of the communities would definitely improves and vice versa. Even though the benefits of empowering women are known, gender inequality in all aspects, particularly in the developing countries is prevalent. Various discriminations faced by women are due to cultural norms and traditional practices which are visible at the personal level (family) and public level (government). To some, though the practice deprives women, it does not constitute discrimination because it is an acceptable norm in the communities.

Patriarchal system has often been perceived as the main contributing factor to gender inequality. This is because in general, men rule the world. Therefore, men are likely to exert their power in any setting to their advantages. Since it is too embedded in the society, it is difficult to alter (absolutely) the system of patriarchy. However, the system can be gradually improved through the new innovation on gender relations. This process requires the introduction of gender education and foster gender awareness among men of all age groups irrespective of social class. These initiatives constitute re-engineering patriarchy and it is only can be realized if every social entity is willing to embrace the measures.

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KEY TERMS AND DEFINITIONS

Developing Country: Refers to a country with the following characteristics: low levels of human capital, high levels of poverty and under-nutrition, higher population growth rates; predominance of agriculture activities and dominance of informal sector.

Economic Development: Is a process of restructuring of an economy to enhance the economic well-being of a community/ country.

Gender Awareness: Is an awareness of the differences in roles and relations between women and men. It recognizes that the life experiences, expectations, and needs of women and men are different.

Gender Equality: Refers to the equal rights, responsibilities and opportunities of women and men and there should not be any discrimination based on gender.

Patriarchal System: Is a system which differentiates and stratifies human being based on sex, and it favours men. It defines women's roles and functions in the society which normally put barriers to many women's right such as right to education and the right to work.

Patriarchy: Is a social system where men are in authority over women in all aspects of society. It is invisible, yet visible through family, community and state, in formal or informal settings. It has been embedded in human lives for so many years.

Reengineering: Refers to a process of a system in restructuring or redesigning as to optimize the outcomes. In this context, it is a process of transforming the patriarchal system to be gender sensitive.

Women Empowerment: Is an enhancement of women's rights and privileges to enable them to have control over their lives and to contribute to the societal wellbeing.

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Chapter 10
A Study of Two Microfinance Models and Their Suitability for Egypt

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ABSTRACT

Developing countries around the world strive to implement one of the several current models of microfinance. This study focuses on two models: Grameen Bank, which is considered the change factor for the microfinance field, and Kiva.org, an organization that understood the importance of the Internet and crowdfunding to create a different model of microfinance. The purpose of the study is to analyze these two models and determine which would be more suitable for application in Egypt. This study provides a strengths, weaknesses, opportunities, and threats (SWOT analysis), a financial analysis, and a structural analysis, as well as historical background for both organizations along with a scan for the political, economic, social, and technological infrastructure in Egypt to determine the most suitable microfinance model.

INTRODUCTION

Currently, poverty and unemployment are the two main obstacles facing developing countries. According to Giugale and Mubarak (1996), more than 23% of Egyptians live below the poverty line, and unemployment is almost 30%. The country is trying to get through the bottleneck of the political situation that has existed since the 2011 revolution, and efforts are ongoing to solve the problem of employment.

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One of the most effective solutions other countries have undertaken to deal with employment issues is implementing microfinance.

Microfinance institutions around the world and specifically in developing countries have helped thousands of people to cross the poverty line. These institutions help the poor through different financial services including microloans, microinsurance, and microsaving. Given the current economic conditions and the number of microenterprises that exist in Egypt that might need support, the country should view microfinance as a major economic tool. Many African countries and others in similar situations have tried different microfinance solutions.

Statement of the Problem

Poverty and unemployment in Egypt are among the main issues facing the country after the revolution in 2011 (Giugale & Mubarak, 1996). Microfinance institutions are one of the solutions for these issues, yet in Egypt, microfinance institutions are still underdeveloped and have dependency on external fund sources which has led to a very slight impact on the society. Small projects that help the poor and unemployed segment of the society usually require limited amount of fund that can be supplied through microfinance institutions.

Purpose of the Study and Thesis Questions

Microfinance has become a solution in several countries in the help of elevating poverty and decrease unemployment. The purpose of this study is to analyze two microfinance models that were implemented successfully in other locations. Study the current environment in Egypt based on four aspects; political, economic, social and technological, and recommend one of these two models to be implemented in Egypt.

RQ1: "How did Grameen Bank achieve success in Bangladesh?"
RQ2: "How did Kiva.org manage to use online microfinance and crowdfunding concepts so successfully?"
RQ3: "Which microfinance model out of Grameen Bank and Kiva would be more successful in Egypt?"

Significance of the Study

The results of this research would help social entrepreneurs in Egypt identifying the most appropriate model of microfinance between the two models studied to be implemented in Egypt. The study would also help researchers and students that are welling to investigate more in microfinance and crowdfunding. Arab spring revolutions have given hope to all young generations that they could make their countries a better place and they can elevate poverty and fight unemployment. This study could be a base for starting these battles with a national project.

Methodology

The method followed in this paper to answer the research questions is based on the findings from scholarly references, dissertations, academic research and articles. The conceptual framework of the study is explained on the first section of the paper in order to engage the audience on the main concepts behind

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the two models of microfinance selected for comparison. The ground work in this paper includes a study of Egypt's context and current practices in microfinance and non-profit organizations. Furthermore the ground work includes the study of Grameen Bank and Kiva.org. The research questions are answered based on the research done in the ground work section.

CONCEPTUAL FRAMEWORK

The conceptual framework in this paper includes an overview of the concepts related to thesis topic and research questions. The first part in this section is highlighting the concepts related to microfinance. These concepts include the explanation of microfinance and the different sub concepts developed through it; microcredit, micro insurance, and micro saving. Moreover the history of microfinance, the profitability of microfinance organization, and the key principles of microfinance are presented.

The second part of the conceptual framework is a focus on crowdfunding and its related concepts. A brief about the history of crowdunding and the misconceptions that several people get deceived by is also discussed in this section. An elaboration of the mechanisms of crowdfunding is presented in this section as well. Lastly, the pros and cons of crowdfunding based on the research conducted will be the last concept in this section.

Microfinance

Microfinance is considered to be one of the most efficient approaches in providing different financial services to the poor (Akram & Hussain, 2011). These services include microcredit, microinsurance, microsavings, transactional services, and financial consultations. Many microfinance institutions limit their role to microcredit, assuming that it is the only benefit they can provide to micro entrepreneurs (Akram & Hussain, 2011). The microfinance industry includes a wide range of organizations that includes nonprofit organizations, credit unions, cooperative societies, some commercial banks, and some non-banking financial institutions (Akram & Hussain, 2011). Microfinance is the a smaller scale concept of banking as it includes most of the services that banks offer to people, yet on a much smaller scale for people that usually doesn't possess collaterals. The main service of microfinance is the micro loans offered without collateral to cover it.

In certain developing countries, such as Egypt, governments have tried to use microfinance as an alternative to solve infrastructure problems such as poverty, lack of education, unemployment, and victims of natural disasters (Marinescu, 2009). The governments in these countries consider microfinance to be a new solution, yet it usually fails because the main objective in the above-mentioned cases is giving credit to people who are incapable financially, which usually requires a 98% performance rate (Marinescu, 2009). In order to achieve this rate, the government needs to ensure that each transaction performed is monitored, followed up on, and checked case-by-case. The Monitoring of case by case would cost the government more money than the low interest that they would usually announce they can offer. In other words to monitor the performance rate it would cost more money than the return from the interest (Marinescu, 2009).

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Microcredit

The Microcredit Summit Campaign (2005) described microcredit as tool or program that provides poor, unemployed people who are looking to improve their financial status the opportunity of starting small projects or becoming micro entrepreneurs. This happens by facilitating microloans without the proven financial records or credit history that most regular financial institutions require. These loans are usually much smaller than the regular loans given to businesses and to people that have collateral to cover the loan they are asking for. Microcredit is the main service that the microfinance institutions offer to assist the poor segment of the society, as it's the concept of loaning money for starting micro projects.

Microinsurance

This is the protection of low-income people from possible risks and hazards in exchange for a specific regular payment amount that suits the type of risk and likelihood of occurrence (Churchill, 2006). The difference between regular insurance and microinsurance services is that the latter are aimed at the poor (Churchill, 2006). A larger difference is that with regular insurance a person usually has a stable or predictable income, whereas microinsurance is targeted to the low-income population that does not have a stable income (Churchill, 2006).

Microsaving

This can be defined as the usual concept of saving, but on a micro scale, meaning that the same concepts that apply to household savings apply to microsaving (Browning & Lusardi, 1996). Saving is keeping an amount of income in order to use it at another time (Browning & Lusardi, 1996). The reasons for saving could be building a reservoir against unexpected events, anticipating a future relationship between needs and withholding, increasing financial safety with interest and appreciation, enjoying slowly increasing purchasing power, increasing the ability to take a risk on a project, and accumulating enough income to satisfy other needs. The difference between regular saving and microsaving is the amount and predictability of income that might be saved (Browning & Lusardi, 1996).

Profitability of Microfinance Institutions

In 2005, a microbanking report showed that microfinance institutions always consider their priority to be profitability, which sometimes makes the decision-making process more biased toward turning a profit than helping the poor (Marinescu, 2009). The initial efforts of the first 63 microfinance organizations around the world have resulted in profitability after regulation of inflation rates and help received from governments or international organizations (Marinescu, 2009). This profit can be up to 2.5% of the organization's total income (Marinescu, 2009).

The main sources for financial revenue for microfinance institutions are; interest charges, and fees and commissions (Guntz, 2011). Other profits that the micro finance institutions make are generated form; the net gain on financial assets, and the revenue from insurance of micro projects (Guntz, 2011). The fact that microfinance institutions are profitable or in other words, generate revenues doesn't hide the important role they play in helping small and micro projects.

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History of Microfinance

Although not referred to as such, the concept of microfinance has existed since early civilization, due to differences in wealth between societal classes (Helms, 2006). In early times, microfinance took the form of informal credit practices and savings between individuals and groups. In the middle Ages, specifically in 1462, an Italian monk made the first formal attempt at microfinance in the form of a pawnshop that offered moneylending (Helms, 2006). In the 16th century, Pope Leon X allowed pawn shops to request a certain amount of money in return for their services to cover expenses (Helms, 2006). In the 18th century, the writer Jonathan Swift founded the Irish Loan Fund System to give microloans to farmers who were below the poverty line and had no guarantees or assets. The system was successful to the extent that at some point this type of lending was almost 20% of the household income in Ireland (Helms, 2006).

Friedrich Raiffeisen and his supporters from Germany developed the concept of a financial cooperative in the 19th century, which expanded rapidly throughout the developed world. In the 20th century, specifically between 1950 and 1970, a great effort was made to increase access to agricultural loans and credit using farmers' cooperatives at lower interest rates than the market (Helms, 2006). Those efforts failed due to the high expense of operations that exceeded the rates. It was not until the early 1970s when alternative-banking efforts became part of experimental programs to give small loans to poor women to start modest businesses that microcredit succeeded. Grameen Bank in Bangladesh, ACCION International in Latin America, and the Self-Employed Women's Association Bank in India were the pioneers of the microcredit movement (Helms, 2006).

In the 1980s, microcredit developed through institutions. The concept of cost-recovery interest rates and high repayment was introduced by Bank Rakayat in Indonesia in order to help micro lenders achieve long-term sustainability and increase the number of their clients (History, 2013). Since the 1990s, when the term "microfinance" began to replace the term "microcredit," most of the microfinance institutions tried to adopt a commercialization strategy that would turn them into profitable organizations to appeal more to clients. As the World Bank became aware of microfinance as a solution for poverty, they initiated the Consultative Group to Assist the Poor (CGAP) in 1995 (History, 2013). In the early 2000s with the rise of Internet technology, online transactions became an essential component of microfinance. Some organizations started to apply the model of online crowdfunding to microfinance to help poor people, and Kiva.org became prominent (History, 2013).

Consultative Group to Assist the Poor

The main idea of CGAP was to help any person access a financial service needed to improve his or her situation. CGAP created groundbreaking solutions for all the possible financial problems faced in poor communities through intensive and continual research, the group's active involvement with service providers on all levels, and funders and policy makers. CGAP was founded in 1995 by the World Bank as a response to the rising microfinance movement of the 1970s and 1980s (About CGAP, 2013). Currently, the organization acts as a reference source providing solutions and research for old and new microfinance institutions. CGAP's research database is considered one of the largest and most reliable sources for microfinance information (About CGAP, 2013).

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Key Principles of Microfinance

In their 30th summit, June 10, 2004, G8, the group of the largest eight economies worldwide, recognized the effort done by CGAP to develop microfinance and came up with a statement by the end of the summit to formalize the key principles of microfinance. One of the principles was that people under the poverty line not only need loans in terms of financial services but also other financial tools such as savings, money transfers, and insurance. Microfinance is a very effective tool in the fight against poverty as poor households use microfinance services to support their families. Microfinance is about building a financial system that does not just offer a temporary solution and the concept should be included in countries' financial planning (G8 Summit Final Report, 2004).

The statement included other principles such as that microfinance institutions must support their operations through adequate fees that are not a burden on the poor. Microcredit is always a better solution in the guarantee of the looping of funds. The job of government is to facilitate financial services but not directly provide the services. Donor funds are a method of enhancing a microfinance institution but should not compete with it. Microfinance institutions should focus on management as means of success and finally, institutions that offer microfinance should always be able to measure their own performances in order to advance (G8 Summit Final Report, 2004).

Crowdfunding

Crowdfunding is one of the most effective methods of fund raising. Some experts prefer to say that it is a collective effort by an individual or a group of people to gather the support and the capital required to implement, improve, and enhance an idea or project through explaining and presenting a project to the public, which is usually done online (Prive, 2012). Crowdfunding depends on the support and funds of regular people, not traditional banking types such as bankers, venture capitalists, or angel capitalists.

History of Crowdfunding

The rise of crowdfunding in the last decade did not just happen to be a sudden phenomenon without previous indicators that there was something huge coming up, there were indicators and milestones that the crowdfunding concept went through (History of Crowdfunding, 2013). Crowdfunding began in 1996 when Andy Klein, the founder and owner of Spring Street Brewery, posted his company's public offering online Web to allow people to own stock directly (History of Crowdfunding, 2013) It wasn't until that year when, Mark Perlmutter lunched the first direct IPO platform to allow the public to put investments in small public offerings. Later, in 1998, Silicon Valley venture capitalist Tim Draper built on that success and founded a venture capital company based on public investing in early technology deals (History of Crowdfunding, 2013).

Michael Sullivan first used the term "crowdfunding" eight years later on his blog, fundavlog. The real watershed for small business investment in general, including crowdfunding, was when the Nobel Prize was awarded to Muhammad Yunus, the founder of Grameen Bank in 2007, for raising $6.8 billion through microloans to aid the poor. Following that, the crowdfunding platform started to branch out to different fields. In 2008, IndieGoGo began as a crowdfunding platform for independent films. Kickstarter, the famous crowdfunding platform, was formed in 2009 to provide an opportunity for all types

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of entrepreneurs and business seekers. That same year, crowdfunding grew by 74%, which brought the practice to the attention of politicians and economists (History of Crowdfunding, 2014).

Crowdfunding is currently in its early stages, yet it is growing enormously with the rise of the Internet over the last decade (Prive, 2012). There are different fields and projects that utilize the idea of crowdfunding including the music business, start-up businesses, charities, political campaigns, and software development, among others. The main idea is the concept of "it is not what you do, but why you do it." (Prive, 2012).The success of crowdfunding is due to the idea that people support a certain project because they believe in the cause or because they think that the creator is authentic and that his or her contribution might make a significant difference in bringing this idea to reality (Prive, 2012).

Misconceptions About Crowdfunding

There are several myths and misconceptions about crowdfunding among user platforms, which started at the beginning of the 1990s with the rise of the Internet (Howes, 2013). Some examples of these misconceptions include the idea that crowdfunding is only useful for start-ups and small business, which is not necessarily true (Howes, 2013). Crowdfunding can be a great tool for large, established companies and some people launch crowdfunding campaigns on their own Websites although exposure will not be as widespread as when an already-established platform is used. Another misconception is that some small business owners think that crowdfunding can maximize exposure by launching the same campaign on different platforms, which is not effective because the audience is essentially the same (Howes, 2013).

Crowdfunding for Non-Profits

The same concept that applies to for-profit start-ups or businesses also applies to nonprofit organizations (Howes, 2013). Crowdfunding for nonprofits is concerned with a project's cause and the story behind the cause drives the investors or, in this case, the loaners. The idea has also been used to create awareness campaigns and even to fund an election. In the U.S. in particular, politicians have used the concept to support their campaigns. The most famous example was the last presidential race, in which Barak Obama managed to raise almost $214 million from small donors, which changed the history of political campaigns (Crowdfunding for Nonprofits, 2011). There are several known nonprofit organizations that use the concept of crowdfunding to support their causes and raise funds (Crowdfunding for Nonprofits, 2011).

Crowdfunding Mechanisms

There are several mechanisms for crowdfunding through the use of an online platform or other kinds of platforms. According to Gueyie, Manos, and Yaron (2013), crowdfunding mechanisms can be split into three main categories: through donations, which is the concept of giving up a certain amount of material, whether money or some other valuable entity, to another person without the expectation of any return. The second category consists of an active investor, in which the crowd funder usually makes the decision or at least gives advice to the person or the project he is funding. The third and last type consists of a passive investor, who usually invests or loans money without trying to get involved. (Gueyie, Manos, & Yaron, 2013).

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Pros and Cons of Crowdfunding

There are several advantages and disadvantages for using a crowdfunding platform to fund a project regardless of the scale of the project. An entrepreneur needs to take various factors into consideration when considering funding his project through a crowdfunding platform. Out of these factors are the pros and cons of crowdfunding.

Pros

- Crowdfunding helps in reducing the amount of time spent on the fundraising process and gives the entrepreneur more time to focus on other aspects of his future business (Dupree, 2012)
- Any person could be part of the funding process since there is no minimum level for the contribution to a certain project. This helps in expanding the outreach and the base of funders which also help the entrepreneur in getting more reviews on his project (Dupree, 2012).
- Investors can track the progress of the project they have chosen to fund, which make the business more transparent (Rogers, 2012)
- Crowdfunding platform are usually an online tool which make it easier for both entrepreneurs and investors to stay connected (Rogers, 2012)

Cons

- The exposure of ideas through the crowdfunding platforms makes the process of copying ideas easier and effortless
- Crowdfunding platforms mostly are online which means that there are a large portion of possible entrepreneurs with ideas that can't use it as they don't have access to the internet specially in some of the developing countries (Rogers,2012).
- Some project could be a fraud due to the lack of filtration process on the existing crowdfunding platforms (Dupree, 2012).

GROUND WORK

The main research in this thesis paper is done in this ground work section. The ground work consist of three main parts; Egypt context, Grameen Bank, and Kiva.org. The first part is Egypt context, which is a general overview of Egypt with an analysis of the political, economic, social, and technological environment. Additionally, a review of the current microfinance institutions in Egypt with the problems facing them is also presented in this part.

The second part of the ground work summarizes Grameen Bank as an organization. In addition to that it shows the socio-economic environment that lead to formation of Grameen Bank and highlights the relationship between the Bank and its employees. This part concludes with a SWOT analysis for Grameen Bank. The third and final part of the ground work is the synopsis of Kiva.org and their core principles. This part also concludes with a SWOT analysis for Kiva.org

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Egypt Context

Egypt is considered the heart of the Middle East in terms of geography, as it is in the northeast of Africa, with Sinai situated in northwest Asia (Country Profile, 2014). Egypt shares borders with Libya, Sudan, Jordan, and Palestine. To the north of Egypt is the Mediterranean Sea, and to the east is the Red Sea. The Nile River, which is considered the source of water and agriculture, runs through the country from south to north. The surface area of Egypt is approximately 1 million square kilometers, of which less than only 5% is populated and more than 95% is desert (Country Profile, 2014).

Egypt is currently the largest populated Arab country, with 83,667 million people and continues to grow at a rate of 2.17% according to the Central Agency for Public Mobilization and Statistics (2013). Almost more than 98% percent of the population lives on the Nile strip, which runs from the south to the north. According to Brown (2004), life expectancy, which is the amount of years people expect life to be better after, in Egypt has increased from 55.3 years in 1980 to 67 years in the year 2001. In the same period, population density has increased from 44 people per km^2 to 69, which explains the previous increase. (Brown, 2004)

PEST Analysis for Egypt

Political

Because the political environment in Egypt has been very unstable since 2011, this section will be divided into two parts. In the first section, the political situation before the revolution in 2011 will be discussed and then the situation after 2011. Before the revolution, most Egyptians did not take part in the political process, as Hosni Mubarak's regime stayed in power for over 30 years (Osman, 2010). During this time, Mubarak made sure that his was the only party in power.

Egyptians in this era had a lack of awareness of rights and responsibilities, and there was little or no hope of change (Osman, 2010). Politics was not a part of the country's education and it was forbidden to practice any sort of politics in schools and universities (Osman, 2010). The country was ruled by the police state, in which everyone lived in fear. Starting in 2006, the return of Mohamed El Baradi raised hopes and initiated some constitutional changes; however, there was no active or effective movement in the streets (Osman, 2010).

On January 25, 2011, a few weeks after demonstrations had begun in Tunisia, a demonstration started in Egypt's Tahrir Square (Gamel, 2013). Many events happened during the first 18 days of the revolution, and eventually Mubarak had to resign his position and the Egyptian army took control of the country for a transitional period. Shortly after the fall of the old regime, the situation changed and an internal fight for power caused a period of political instability (Gamel, 2013). Currently, the situation is complicated because the army has remained in power after a short period of rule by the Muslim Brotherhood, which is considered by many people to be a terrorist organization (Gamel, 2013).

A new election for the presidency has been announced to take place in few months and there are two potential candidates that are running up (Gamel, 2013). The first candidate is the former head of the Egyptian army, and the second candidate has been in the civic society for 40 years (Gamel, 2013). To sum up, the political situation is extremely unstable, with the government changing every few months, and this has led to fear within the public, increasing prices for basic goods and services, and no real solutions for the country's long-term problems (Gamel, 2013).

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One other aspect of the current political situation in Egypt that affects nonprofit organizations in Egypt is the recent shutdown of several nonprofit organizations and a halt to funding others under the claim that they were receiving money from foreign entities. Egyptian media has focused on this incident only from the government point of view as if these organizations were in Egypt to spy or to fund vandalism. This action caused many international nonprofit organizations to be reluctant to operate in Egypt (Kirkpatrick & Myers, 2011).

Economic

In this section, several ways will be discussed to assess the economy of countries. After the revolution in Egypt, the economy was hit hard due to the street demonstrations and a lack of tourism. The Egyptian economy is built on several components—returns from the Suez Canal, tourism, oil, and some agricultural and industrial production—which were all affected after the revolution. According to the United Nations Situation Analysis for Egypt (Handoussa, 2010), the country was making great progress until the year 2009, when inflation reached almost 16%.

One of the main economic and social issues facing Egypt is poverty. Poverty rates are different, based on geographical areas, with poverty in rural areas being 67% higher than in the urban areas. More than 23% of Egyptians live below the poverty line, and 7% live in absolute poverty (Guigale & Mubarak, 1996). Approximately six million people are trying to survive on a quarter of a dollar per day or less (Guigale & Mubarak, 1996). The unemployment rate is estimated to be around 21%, and 85% of that is composed of young people, aged 19 to 29 (Guigale & Mubarak, 1996).

The informal economy in Egypt is a very important factor in employing people, as almost 60% of the workforce either work for a private company or operate a small business in a local market. This informal economy provides a large variety of goods and services. The government tried to support this movement so that the private sector could help solve the problem, but because there are no formal rules yet it could not moderate and aid the process (Drolet, 2005).

Social

Egypt has a very unique social composition, in which there is a clear distinction between different social levels. According to Amin (2001), the social mobility in Egypt since the 1950s has progressed for different reasons and along different pathways, starting from the social era in the 1950s and 1960s, passing through the era of capitalism, and ending with globalization in the new millennium (Amin, 2001). In Egypt, two important cultural aspects are a large and lively social network and the fact that it is a religious society. These social aspects need to be taken into consideration when initiating a new project as they could be the difference between success and failure.

There are several longstanding social problems such as late marriage, illiteracy, unemployment, and sexual harassment, among others. Illiteracy represents a fundamental problem in Egypt, as approximately 39% of the population cannot read or write (El-Baz, 1997). One of the main reasons behind this is the lower social value of women's education, which leads to a high dropout rate, especially in the rural areas (El-Baz, 1997).

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Technological

According to Hafheinz (2007), Egypt has the largest and fastest-growing population of Internet users around the Arab world, yet this is dependent on individuals' social level and gender. Egypt has infrastructure for technology in general and for the Internet in particular, yet this infrastructure is not sufficient in rural areas, just in the main cities. In the 2011 revolution, social media played a very important role and it was considered the catalyst for motivating people to take to the streets after they shared news of the demonstrations online (Iskander, 2011).

Recently in Egypt, young entrepreneurs have developed many companies that depend on social media and the Internet (Iskander, 2011). Venture capitalists in Egypt support the movement toward building Websites, mobile applications, and Internet-based services, yet these small businesses and entrepreneurs focus on a small segment of the society who have continuous online access and can actually benefit from these services. Technology and the Internet could be used more than at present to help all Egyptians (Iskander, 2011).

Microfinance Institutions in Egypt

According to Waly (n.a) the first attempt to start microfinancing in Egypt was by the Alexandria Business Association and the National Bank of Development in the form of microloans to small enterprises with the support of the U.S. Agency for International Development (USAID). In 1997, the Principle Bank of Development and Agricultural Credit developed an initiative called "The Productive Families Project," which was supported by the Ministry of Social Solidarity (Planet Finance, 2008).Currently there are 15 different microfinance institutions in Egypt, although only eight are fully operational. These organizations receive funding from USAID, but other external sources of funding include the Ford Foundation, the United Nations Development Program (UNDP), Save the Children, and others (Planet Finance, 2008).

All of the microfinance institutions in Egypt are currently operating under law number 141, which was introduced in 2004 and regulates microfinance activities in the country. Waly (n.a) claims that currently there are more than 1.13 million active clients who are borrowing around 1.8 billion EGP (equivalent to 266 million USD). The average loan size is estimated to be 1600 EGP (230 USD) and the penetration rate is 6%.

Problems that Microfinance Institutions Face in Egypt

According to research and the survey done by Blackwood (2012), the creation of social entrepreneurship and microfinance institutions in Egypt has not been easy. There are several issues that confront most of the current organizations and that will affect any future organizations. At the top of the list are problems of funding and government restrictions. Other organizations that Blackwood surveyed indicated that a lack of partnership was also a major problem, and 100% of the organizations surveyed responded that their start-up funds came through external funding sources. Any nonprofit organization would face these problems when starting up, but there are always ways to solve these problems, as this research is trying to point out (Blackwood, 2012)

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Table 1. Loans vs. Borrowers in Microfinance Institutions (MFIs) in Egypt (Planet Finance, 2008)

MFI's most recent data	Report Date	265.9m Loans (USD)	1m Borrowers	0 Deposits (USD)	0 Depositors
ABA	2012	60,929,049	237,371	-	-
ABWA	2012	5,281,522	-	-	-
Al Tadamun	2012	5,206,214	40,823	-	-
ASBA	2011	61,854,750	225,289	0	0
BDC	2005	35,347,222	93,516	-	-
CEOSS	2012	8,774,845	46,542	-	-
DBACD	2012	26,589,887	107,608	-	-
ESED	2011	16,300,861	70,640	0	0
FMF	2012-09-30	5,014,048	18,654	-	-
Future	2013-09-30	1,419,373	10,451	0	0
Lead Foundation	2012	21,659,657	141,299	0	0
NSBA	2008	667,285	5,055	0	0
RADE	2012-06-30	2,248,960	12,735	-	-
SBACD	2012	12,602,047	-	0	-
SCDA	2009	784,561	1,951	0	0
YMMA	2006	1,267,649	11,856	-	0

Grameen Bank

In 1983, microfinance institutions took a leap forward with the founding of Grameen Bank, a rural banking institution that was based on a microfinance model to aid the poor in Bangladesh. Grameen Bank was different in that it was aimed at women who owned less than half an acre of land or who owned assets of less than one acre of land (Khanker, Khalily, & Khan, 1995). The loans did not need collateral, which was phenomenal at that time.

The idea, started by Dr. Muhammad Yunus, was initially against all the rules that he had been teaching as an economics professor at Chittagong University. It took a great deal of research for Dr. Yunus to decide that he wanted to be teaching about the real economy in Bangladesh and then try to fix what he saw around him. During his study, Dr. Yunus came up with a list of 42 people that needed a small amount of money (not exceeding $27 each), to improve their financial situation (Yunus, 1999).The main motive behind Dr. Yunus' idea was that banks would not give poor people loans without collateral. In the beginning, he started loaning to the people on his list from his own money, and from funds contributed by his research group colleagues who believed in his ideas (Yunus, 1999).

However, Dr. Yunus was still concerned with the rest of the poor population, so he tried to convince the local university bank to loan to the poor with no collateral, but they refused. He then took a loan under his name and started loaning to the poor women in the village close to the university, and after they repaid their loans, he tried to put together a case study and resubmit his request to the bank, but the bank still refused (Yunus, 1999). Dr. Yunus did not give up at this point but instead moved to another village and tried to approach the local bank—but this bank also refused (Yunus, 1999).

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Although Dr. Yunus eventually expanded to over 100 villages, he still couldn't convince any bank to lend money to the poor. He then decided to create his own bank. He went through several negotiations with the government, and in 1983 he reached an agreement to establish Grameen Bank or, as it is translated from Bangali, "Village Bank." The main concept was to lend to the poorest of the poor who did not have any sort of collateral (Yunus, 1999).

Grameen Bank's Credit Delivery Model

Grameen Bank operates with a different business model than other banks, similar to its different types of customers (Khandker, 1996). The Grameen model was based on a concept of groups of five, with different groups for men and women. The initial focus was on the women's groups, to help unemployed, low-income women in Bangladesh. The loans were received by individuals within a group, yet the entire group was accountable for repaying the loan.

If one member of the group failed to repay, then the entire group was affected and no other group member could qualify for more credit. This group pressure guaranteed discipline between members. On the other hand, in order for Grameen to protect the groups against anti-group actions that might affect one individual, the bank organized every six to eight groups into a larger community called "The Center" (Khandker, 1996).

Today, all of the lending and repaying transactions are made within the Center meetings. The two- tier structure helps to relieve the social pressure created by the Grameen Bank credit model. Each center is assisted by a bank representative to facilitate transactions, and each group of five elects a representative who acts as chairperson for a year to conduct meetings and take care of the paperwork (Khandker, 1996). The amounts that the bank usually lends to an individual are small, less than $100 per year, and he or she must repay the loan in 50 installments during the year. The loans are given to the individual to support the activity that the group of five has agreed upon (Khandker, 1996).

Power of Context

In his book *The Tipping Point*, Malcolm Gladwell discusses the concept of Grameen Bank's credit-delivery model. He examined similar projects that were dependent on peer pressure and group decision-making, and he demonstrated the importance of how groups change the decisions of individuals. Indecisive individuals within a group usually follow the logic of the group in order for them to reach a decision. Group numbers could differ from one application to the other, yet the effect of the group and peer pressure remains the same. (Gladwell, 2000)

Gladwell also discussed another decisive factor in any social epidemic, which is the power of context. The facts that Bangladesh was undergoing a tough economic period and that Dr. Yunus had just returned in 1974 were key factors in the success of Grameen Bank. Other factors include the place, timing, and the people involved in developing the idea of Grameen Bank, which are all considered part of the context. Gladwell claims that in order for any phenomena to become a social epidemic, it has to pass three laws—the third being the power of context (Gladwell, 2000).

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Socio-Economic Environment

Grameen Bank was established in Bangladesh in 1983. Bangladesh is a country of almost 60,000 mi^2 that borders India and was formerly a part of Pakistan until it achieved independence in 1971(Grunewald, & Baron, 2011). The country's population is 162,221,000 people, which is considered the seventh-largest populated country in the world (Grunewald, & Baron, 2011). The GDP in Bangladesh is $624 per person, which is relatively low in comparison with other countries. The currency is Taka and as of September 2010, the exchange rate was 69.64 Takas to one U.S. dollar. The major issues in Bangladesh are health and education. The literacy rate in the country is very low: 54.7% of the population is illiterate, and out of that, 81.9% are women (Grunewald, & Baron, 2011).

Relationship Between Grameen Bank and Its Employees

Grameen Bank's employees are its main assets. The bank hires highly motivated individuals who are loyal to the cause of the bank and committed to helping bring the poor to a higher level of self-sufficiency. It has a very selective hiring process for potential employees, and applicants must go through several interviews in order to be recognized for a position (Dowla, 2006).

The recruited applicants must undergo an intensive training program. According to Woolcock (1998), this training program is very difficult, and almost half of the trainees leave before the end. The bank maintains a high level of trust and confidence in its employees, who have a deep sense of pride and compassion for the poor after finishing the training program. This trust can be felt and seen in the different branches of the bank, where employees' make decisions without checking with their supervisors (Dowla, 2006).

Grameen Bank also has a very unique system of evaluation to motivate employees and push them to achieve more success in helping the poor. This system is known as the Five-Star System, in which the bank ranks the different branches according to colored stars. A green star, which is the lowest-ranked

Table 2. Distribution Pattern of Rural Landownership in Bangladesh from 1979 to 1983/84 (Grunewald, & Baron, 2011, Table 2)

Size of Land Owned	1979 Land Occupancy Survey		1983/84 Agricultural Census		Annual Rate of Growth 1979-84
	Number of Households	Share of Households	Number of Households	Share of Households	
{Acres}	{Thousands}	{Percent}	{Thousands}	{Percent}	{Percent}
None	1,979	15.4	1,198	8.7	-10.5
Less Than 0.50	4,286	33.3	5,201	37.6	4.4
0.50-0.99	1,516	11.8	1,660	12.0	2.0
1.00-2.49	2,660	20.7	2,979	21.6	2.5
2.50-4.99	1,436	11.2	1,598	11.6	2.4
5.00-7.49	501	3.9	650	4.7	6.0
7.50-14.99	374	2.9	415	3	2.4
15.00 or more	114	.9	117	.8	.6
Total	12,866	100	13,818	100	1.6

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star, is given to a branch if it achieves a 100% repayment rate (Mainsah, Heuer, Karla, and Zhang, 2004). The blue star, second in ranking from below, is awarded to the branches that manage to achieve a profit for the organization.

The violet star, middle-star rank, is given to the branches in which the amount of the deposits exceeds the loans. The brown star, the second-highest star, is given to the branches where the children in a borrower's family attend school. Finally, the red star, the highest- ranking star, is given to the branches that (1) have borrowers who are no longer considered to be in the poorest segment of society, and (2) have managed to fulfill Grameen Bank's ten requirements (Mainsah, Heuer, Karla, & Zhang, 2004).

To summarize, Grameen Bank enhances and builds relationships with employees' three different methods:

1. A rigorous recruiting system in order to acquire the most talented and loyal people to the organization and to the cause (Mainsah, Heuer, Karla, & Zhang, 2004).
2. Empowering the employees who are selected by giving them the power to make decisions without going back to their supervisors (Mainsah, Heuer, Karla, & Zhang, 2004).
3. Creating a unique system for evaluation—the Five-Star System—that promotes a healthy, competitive environment and keeps employees motivated and challenged (Mainsah, Heuer, Karla, & Zhang, 2004).

Thus, Grameen bank is keen to build relationships with employees through the ways mentioned above, which in turn benefits the organization and creates a sense of loyalty among the staff (Hossain, 2013).

Grameen Bank's Early Sources of Funds

Since its establishment in 1983, Grameen Bank has secured financing through domestic and international sources of funds at concessionary rates. Those sources have included the Central Bank of Bangladesh and the International Fund for Agricultural Development, among others. A portion from the bank's funds were secured through grants from organizations. In the early years, Grameen Bank had a total of 1532.7 million TK between 1983 and 1993 from the International Fund for Agricultural Development (Khandker, Khalily, & Khan, 1995). The bank also received approximately 200 million TK per year from the Bank of Bangladesh (Khandker, Khalily, & Khan, 1995). Starting in 1994, in order to sustain itself, the bank had to borrow 3250 million TK from commercial banks, which represented almost 46% of its resources (Khandker, Khalily, & Khan, 1995).

SWOT Analysis for Grameen Bank

Strengths

- Grameen Bank helps local communities alleviate poverty by providing small loans to individuals without collateral (Khandker, Khalily, & Khan, 1995).
- The idea of lending to groups of five helps in securing a social environment for the borrowers that helps them to achieve success (Khandker, 1996).
- The relationship between the bank and its employees enhances their ability and empowers them to make the right decision in aiding the poor (Dowla, 2006).

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Weaknesses

- Grameen Bank focuses on women in different societies, which might lead to a higher poverty level among men (Khandker, 1996).
- According to Bornstien (2011), it may be questionable whether the concepts of Grameen Bank help the poor to save money for the future and thus alleviate poverty.
- Funding of a similar foundation like Grameen Bank would require government support as well as external-funding support (Khandker, Khalily, & Khan, 1995).
- There are supply and demand constraints because Grameen Bank depends on its different branches (Khandker, 1996).

Opportunities

- After Grameen Bank reached the point of self-sufficiency, it is easier to branch out to different countries around the world (Khandker, 1996).
- The Arab spring revolutions might encourage new governments to accept organizations such as Grameen Bank to operate within their countries (Osman, 2010).
- Public acceptance of the concept of microfinance might lead to more opportunities of funding of necessary (Dowla, 2006).
- Social media and technology represent an opportunity for Grameen Bank to expand and explore new ideas to help the poor (Dowla, 2006).

Threats

- The concept of the group of five might lead to conflict within the groups if one person fails to make a payment (Bornstien, 2011).
- New technology has made entry to microfinance much easier, which has created competitors to Grameen Bank. (Chang, Huang, & Wang, 2009).
- Peer-to-peer lending is an appealing concept that could be considered competition for the credit delivery model that Grameen Bank depends upon (Bornstien, 2011).

In order for a social entrepreneur to successfully implement the model of Grameen Bank, he needs to capitalize on strengths like the power of the idea itself and the lending group idea. In the same time avoiding weakness like the focus on women only or depending on the government support, would help the social entrepreneur in making the model successful.

Kiva.org

Kiva.org is an online platform that operates as a nonprofit organization that gives individuals the opportunity to participate in microfinance activity using small amounts of money directed to a small business or a micro entrepreneur (Chang, Huang, & Wang, 2009). In other words, Kiva.org tries to connect people who are looking to help other people in developing countries through micro lending. The process is done through an intermediary, a local microfinance institution, or an MFI, which identifies

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micro entrepreneurs and small businesses that need help to grow and inputs their data on the Website and facilitates communication between the lender and the borrower (Chang, Huang, & Wang, 2009).

The lending cycle starts when the lender chooses the entrepreneur or small business they want to fund. After the lenders make their decision, Kiva collects the loan amounts from all of the different lenders around the world and distributes the sums to each local MFI partner based on the projects that were selected in their areas (How Kiva Works, 2014).Then the local MFI partner distributes the total amount of money funded from each entrepreneur. The entrepreneur gives monthly payments back to the local partner that collected the money and transfers them to Kiva.org, which repays the lenders and completes the lending cycle. At this point, the lender can chose to take back his money from Kiva.org or relend the money to a different entrepreneur (How Kiva Works, 2014).

The idea for Kiva.org, an online microfinance platform, was initiated by an American couple, Matt and Jessica Flannery, during a visit to East Africa in 2004 and was founded a year later. Matt and Jessica met at business school at Stanford University while he was studying and she was a staff member in the public Management Program (Flannery, 2007). In 2004, Jessica had an opportunity to consult for a nonprofit organization that specialized in microfinance in East Africa.

She took the opportunity and few months later, Matt went on a month-long vacation from his work at TiVo. They came up with the idea for Kiva.org when they were visiting Uganda. According to Matt, when they were asked about their career goals, Matt replied that he wanted "to live in the San Francisco Bay Area and be an entrepreneur," while Jessica's answer was "to go to Africa and do microfinance." They combined their career goals by founding Kiva.org (Flannery, 2007).

Core Principles of Kiva

Matthew and Jessica's idea went through different phases before they arrived at their main concept for Kiva in 2005. Currently, Kiva's vision is: "Everyone connected, everyone empowered" (Flannery, & Shah, 2009). The organization's current mission is "to connect people through lending for the sake of alleviating poverty." In his study, Carlman identified seven core beliefs of Kiva.org, which include the power of microfinance, partner relationships, transparency, the spread of technology, lending as connecting, sustainability, and industry inclusion. The organization's employees and partners make sure to take these principles and guidelines into consideration before making any decision in the operation cycle (Carlman, 2010).

Kiva and Web 2.0

Kiva is considered to be a Web 2.0 application in microfinance. O'Reilly (2005) defines the Web 2.0 "network as a platform…making the most out of intrinsic advantage of that platform." Kiva is creating an atmosphere and a platform to connect people around the world for a bigger cause. In Web 2.0, the key to success is being user driven, and Kiva, according to Flannery (2007), the organization depends on lenders to bring in more lenders by word of mouth and reviews as the main tool for growth. Collaboration of different online tools, which is the essence of Web 2.0, is one of the elements that Kiva.org considers primary in operations whether it is PayPal, YouTube, Amazon, or another online tool (Carlman, 2010).

In their study, Ashta and Assadi (2008) claim that Kiva is not yet a perfect Web 2.0 model because the features and the technology are not the same for all types of users. The borrower end of the Website

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is limited since there is almost no interaction between the borrower and the lender except through the local partner. On the other hand, the lender side of the Website has many different technological features that enable the lender to make better choices and to select the entrepreneur or small business to which he wishes to lend money. Kiva is even planning to partner with existing Internet and Web 2.0 gurus such as Facebook in order to further enrich the lender experience (McCarthy, 2009).

Statistical Facts About Kiva.org

Kiva currently operates in over 73 countries around the world, although with limited access in some countries due to governmental regulations and a lack of local institutional support. (Statistics, 2014). There are over 1,083,984 lenders using the Kiva online platform to lend small or large amounts of money to people in other countries (Statistics, 2014). Kiva currently has 242 local field partners in the countries in which it operates and over 450 volunteers. The amount that has already been loaned is nearly $537,703,175, and Kiva stands as one of the most successful online platforms for microfinance (Statistics, 2014).

Not only are the amounts of loans and lenders astonishing but the repayment rate, which stands at 98.97%, is also amazing. The lenders at Kiva often lend more than once, and the average lending on the online platform is 10.15 times per lender, which shows how fast a lending cycle can occur. On the borrower side, Kiva has more than 1,256,171 borrowers who have been funded (Statistics, 2014).

Lending Teams

Using the Kiva.org online platform, users can choose to lend money individually and directly to particular entrepreneurs or they can choose to join a lending team (Kiva.org, 2014). Lending teams are self-organized groups that form a community of lenders who share lending goals and connect with one another. There are two types of teams—open teams and closed teams, and each type has its own advantages (Hartley, 2010).

For example, an open team does not usually have accountability, and any person or lender can join the group based on his interest. There could be a lending team composed of Egyptian natives with none of them born in Egypt, yet they share a common interest that enhances the in-group solidarity and usually has a big impact on the group lending in general. On the other hand, the closed-lending groups are usually very moderated and organized; members of closed teams are more cohesive and they share the same interests (Hartley, 2010).

There are many books and studies that discuss the effects of human cooperation individually and within a team or a group as well as studies that delve into the effects that similarities between members of a team might have on the lending behavior and solidarity of the members. Chen and Li (2008) have indicated that a group identity results from the mix of group members with similar interests and thoughts, which result in a 47% increase in charity concerns, and around a 93% decrease in envy because of a lower payoff (Chen, & Li, 2008)

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SWOT Analysis for Kiva.org

Strengths

- Connecting lenders directly to borrowers in remote places, specifically in developing countries, has helped Kiva to raise the transparency level. Investors or lenders can choose the projects to which they would like to contribute and view the entire lending cycle through the platform. This transparency inspires trust between Kiva and the lenders and enhances opportunities for helping developing countries reduce poverty (Chen, & Li, 2008)
- The idea of loaning instead of donating money through the platform helps entrepreneurs in the long term to become independent and makes them appreciate the value of the money that they are borrowing (Chang, Huang, & Wang, 2009).
- Kiva serves as an alternative funding method for micro entrepreneurs in developing countries, which allows them to avoid local money lenders who may charge interest rates of up to 300% (Chang, Huang, & Wang, 2009).
- The marketing strategy for Kiva is based on cooperation with large online platforms, marketing, and advertising Websites such as Google, Facebook, Yahoo, etc. This strategy has enabled them to promote the awareness of poverty around the world.

Weaknesses

- Kiva only supports poverty in developing countries and does not create job opportunities for those who do not have entrepreneurial skills.
- Not controlling the field partners—the local microfinance institutions—leads to some of these local partners charging up to 21% interest rates on the loans provided by Kiva lenders (Chang, Huang, & Wang, 2009).
- Kiva depends solely on the local partners to provide business support to the micro- entrepreneurs, although they could provide other tools for them (Chang, Huang, & Wang, 2009).
- Kiva does not provide enough tools for borrowers as they do for lenders, as the organization's main focus is the lenders (Ashta, & Assadi, 2008).

Opportunities

- Kiva's platform is mainly online, so it is scalable and can reach countries in the developing world that do not have sufficient infrastructure.
- Kiva's media attention and its story have provided the opportunity to attract more lenders and investors, for which, for some time, there were not enough borrowers—in other words, the supply exceeded the demand (Uganda: A Little Goes All the Way, 2009).
- The uprising events around the world since 2011 have led developing nations to believe that different sources of funding for the poor may help economies get back on track.

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Threats

- The growth in Kiva's operation and lender base may lead to an increased risk of scamming local microfinance institutions and scamming local entrepreneurs. This situation may occur if Kiva does not increase the amount of time and effort devoted to choosing local partners as well as the criteria for local projects and entrepreneurs (Chang, Huang, & Wang, 2009).
- Currently, lenders and lending teams are essential for Kiva and more research should be done to retain these lenders and convince them to continue their efforts.
- Resistant regimes in some developing countries could be a threat to the expansion of Kiva into new countries.
- The competition of new online platforms that offer the same services as Kiva might cause some lenders to go to competitors, which would provide local entrepreneurs with more options to demonstrate their projects.

For a social entrepreneur to successfully implement Kiva's model in Egypt, he needs to focus on solving the current issue that Kiva has like controlling the local partners by having certain criteria for selecting them and performing audits. Also the social entrepreneur would need to think of new tools for the borrowers in order to engage them more and in the same time avoid depending solely on local partners. Furthermore, the social entrepreneur will need to exploit the current strengths of Kiva like their marketing strategy and their concept of lending rather than donating.

DISCUSSION

In response to the first thesis question, "How did Grameen Bank achieve success in Bangladesh?" many factors led to the bank's success in Bangladesh in 1983. The first factor was the persistence by its founder Dr. Yunus and his group. When he was rejected multiple times by different banks in Bangladesh that refused to provide credit without collateral, he loaned his own money to groups. The second factor was the credit delivery model created by Grameen Bank, which depends on the creation of groups of five and starts lending to each of them on an alternating basis (Hartley, 2010). For instance, the second person in the group would not receive a loan until the first person made a first repayment (Hartley, 2010).

The credit delivery model also helped the bank to control repayments using peer and group pressure—if one individual within the group failed to make a repayment, the whole group would be suspended from further loans. The third reason behind the success of Grameen Bank is within the context of the country of Bangladesh: poverty rates were very high, particularly among women; Illiteracy rates reached almost 81% among women; and the government failed to fulfill the needs of the increasing population.

The fourth reason is the relationship created between Grameen Bank and its employees that enables an employee to make decisions without going back to their supervisors, and the trust created in making decisions that will help alleviate poverty. The fifth and final reason for Grameen Bank's success was the internal and external funds the bank received in the early days of operations, which almost closed the gap between the supply and the demand at that time. To sum up, Grameen Bank's success has been based on several factors, which have brought the concept of microfinance to a new level.

In response to the second research question, "How did Kiva.org manage to use online microfinance and crowdfunding concepts so successfully?," Kiva.org has managed to put together the concepts of

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microfinance and crowdfunding to come up with an online platform that aims to connect people and alleviate poverty around the world. Kiva made use of the Internet revolution and the Web 2.0 movement to attract lenders to their cause. They introduced peer-to-peer lending, which is based on an individual project or idea that the lender would like to support. The lending cycle that Kiva created makes the operation very transparent, which has also attracted more lenders.

Kiva.org has used social media and Internet tools to the fullest extent to market their platform and help people in developing countries. Using local partners to select local entrepreneurs reduced the amount of staff that Kiva needed to operate because it depends solely on input from local partners. Finally, the concept of lending teams has made it easier for lenders to find a community of people who share the same ideas and beliefs to invest in the same projects.

n response to the third research question, "Which microfinance model out of Grameen Bank and Kiva would be more successful in Egypt?" which is based on the research done on both models and also on Egypt's current political situation, it would be easier and more effective to implement the Kiva model. There are many factors behind the selection of Kiva: the first factor is the increased use of the Internet in Egypt and the increased use of social media and other components of Web 2.0.

The second reason is the limitations that the government creates for the startup of any nonprofit or microfinance organization. The third reason is the limited funds required for Kiva to start and to operate in Egypt's current economic situation. The fourth factor is the current microfinance institutions that exist in Egypt, could be potential partners for any created platform; and finally, the fifth factor is the advantages that any online platform would provide—flexibility, ease of use, quick access to funds, and the creation of communities.

CONCLUSION AND RECOMMENDATIONS

Microfinance and crowdfunding have become tools that could be used to alleviate poverty within societies. While microfinance has always been a way to provide different financial services to the poor, crowdfunding has recently become popular for the same reason. Both Grameen Bank and Kiva have managed through the years to become successful organizations through different strategies and different business models. Grameen Bank has developed the credit-delivery model that has proved to be a huge success in Bangladesh, while Kiva has used the concept of crowdfunding to create an online platform for microfinance to emphasis the concept of peer-to-peer lending.

The political, economic, social, and technical analysis of Egypt has shown that the use of microfinance would help the country's major problems such as poverty and unemployment. The fact that there are currently restrictions and limitations for the start-up of new microfinance organizations and that Egyptians are using the Internet in their everyday lives has led to the recommendation of using the model of Kiva.org for developing a microfinance presence in Egypt.

This conclusion was based on the current research and the concepts that are included in this paper. Future researchers may want to investigate the different steps needed to initiate the Kiva model in Egypt. Researchers could also investigate possible government support for an Internet-based microfinance organization. This future research will be important in supporting a social entrepreneur to take the initiative and use the results to implement the model. Other future research could include a study of the negative impact of microfinance and crowdfunding for social entrepreneurs in order to avoid these impacts.

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KEY TERMS AND DEFINITIONS

Consultative Group to Assist the Poor: A group that was founded to aid the poor accessing financial services to elevate their poverty.

Credit Delivery Model: It's a model that is based on lending to groups of five either Men or Women and it was initiated by Grameen Bank in Bangladesh to assist the poor.

Crowdfunding: It's a combined effort by an individual or a group of people to collect the support and the fund needed to carry out an idea through explaining it to the public.

Lending Teams: Lending teams are self-organized groups through Kiva.org platform that share similar interests and lending goals.

Microfinance Institutions: Organizations that provide different financial services to the poor for little or no return.

Microfinance: Microfinance is an approach to provide different financial services to the poor.

Socio-Economic Environment: The social and economic environment for a certain country at a certain period of time.

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Chapter 11
The Making of the Information Society:
Taxonomy of Concepts, Determinants, and Implications

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ABSTRACT

Unlike the decisive occupations which facilitated the unambiguous naming of the agricultural and industrial societies, the present one which is tagged with an array of groupings—Post-Industrial, Service, Knowledge, Post-modern, Wired/Networked, Artificial, so on and so forth—can hardly ever be viewed from the perspective of a single occupation. With technology in the forefront working as the driver of information and knowledge, it supports and causes the rampant changes in the provinces of economy, occupation, spatial relations, and culture. And, together they signify the arrival of the 'Information Society'. The obvious shift of a considerable population from the landed labour to industrial labour to knowledge workers marks the transitional phase of the society from agriculture to manufacturing to knowledge society. Hence, this chapter proposes that the dominant phase of a society is not to be visualised as an independent system that is divorced from the other two, but to be understood as an extension of its past.

INTRODUCTION

The explosion of information, spawned by the communication revolution, is today a stark reality and its consequences are profound though the causes are less certain. The direction in which the consequences ply is one of progression in the 'modern' sense. Indications of a progressive society are commonly visible in the form of tangibles like the rising economic status of its people or an encouraging increase in the Gross National Product (GNP). An advancing society reflects not only its economic strength but also a change of people's lifestyle into a more sophisticated one. Economic advancements were precedents in the earlier two societies as well; nevertheless, the pace of change that distinguishes the new society leverages the assumption that it is a fast advancing economy triggered by information. More to the

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point, when there existed distinct occupations which described the agricultural and industrial societies, the same is not attributed to the present society, for manifold professions continue to take roots on the impulsive imagination of the 'informed' and the 'enterprising'.

The multiplicity of careers that are available today results in an overabundance of classifications—Post-Industrial, Service, Knowledge, Post-modern, Wired/Networked, Artificial, so on and so forth—prefixed to the term 'Society'. These orderings tend to pre-empt the attempts by social scientists to evolving a definitive and unambiguous name for the new society. Since information underscores most activities of this new economic culture, it is not inappropriate to call it the 'Information Society', at least for the sake of expediency.

The three revolutions, the agricultural (1000 BC to the 1800), the industrial (1800 to 1950), and the information (1960 to the present), according to Bell (1976), are discussed as the major stages in technological history and each period is marked by significant changes in the definition of property and work. Earlier, farming underscored the agricultural society, and later on manufacturing, the industrial society, and now, information and knowledge processing has become the backbone of the 'Information Society' (IS). Like-minded scholars like Peter Drucker (2001) explain the characteristics of the new age as a revolution of 'concepts', and that it is the 'information revolution' preceded by the invention of writing in Mesopotamia about 5000 to 6000 years ago, the invention of the written book in China as early as 1300 BC and Gutenberg's invention of the printing press between 1450 and 1455.

THE INFORMATION SOCIETY (IS)

The last century saw a dramatic shift in the fundamentals of the world of information, which in turn, yielded mass concepts of literacy, education, and communication and all of them were spurred by technologies. Technological inventions not only affected dramatic changes in lifestyle, but also intensified interdependence with the exchange of information and, as Low (2000) perceives, technological inventions run parallel to the evolution of the knowledge and information based economy.

The 'IS' paradigm is presented as the realisation of society that brings about a general flourishing state of human intellectual creativity (Mowlana, 1996) instead of affluent material consumption. The superior intellect of the human being stems from the production, process, and distribution of information. In his attempt at characterising the changed work culture, Rogers (1986) identified the US and several West European countries, which became information societies quite early, and whose citizens reflected visible dramatic changes such as fast life, expanded horizons, increased efficiency, and empowerment of a majority of the communities.

The individual in the new era who is also addressed as the 'information man', is perceived to be educated, affluent, and well-travelled (Wresch, 1996). The *nouveau riche* enjoyed expanded leisure, shifts from achievement to enjoyment and from rational work goals to pleasurable play goals. The well-heeled citizen of the 'IS' tends to experience unimaginable number of opportunities made available to him in diverse forms. The one who alone negotiates for himself a comfortable life in the Information Society is the skilled user of the Information Technologies (IT).

A society that embraces the 'doctrine of technological primacy' undergoes changes at a speed proportionate to the form and sophistication of those technologies used. The rapid changes experienced in the global scenario have stemmed from the accelerated growth of international communication whose

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origin is ascribed to the explosion of technologies, such as TV, satellite, computers, video, fax, Integrated Services Digital Networks (ISDN) and the convergence of computers, television and telephone (Mowlana, 1996). According to Trivedi and Thaker (2001), 'convergence' is perceived as an enabler of the 'Information Society' which drives different technologies towards a common destination. A single channel allows the transmission of information technology, communication technology, and broadcasting services. However, at the base of the new ICTs is telecommunications, the bloodline of the new society, which fuse all other technologies together allowing nations to leapfrog over previous stages of development (Quon, 2001). Things, which were once unimaginable, have been made possible with the advanced technologies.

TECHNOLOGICAL DETERMINISM

Developments in communications technologies are shaping up a second industrial revolution but the forerunners are information, computers, and Internet and not iron and coal. These technologies of the Post-Industrial Society (Bell, 1976) have already begun their impact journey redefining the routine of the people they pass by. The 'technological informational revolution' is propounded as the backbone of all major structural transformations and depicts an 'informational society' which replaces the industrial society as the framework of 'social institutions' (Castells, 1994). When the potential (the amount of information preserved) of the information technology increases, the ability of human beings to process matter and information is enhanced (Low, 1997).

With the emergence of information processing as the basic activity, the new socio-technical paradigm is an information mode of development, conditioning the effectiveness of all processes of production, distribution, consumption, and management (Castells, 1989). The driving force of the new ICTs, discerned to be superior to those in the other societies, acts as a cue for scholars to pronounce that the new Information, Communication and Entertainment (ICE) economy's value is higher than that of the old one.

Theories propounded to define the IS have been doing their rounds without concreteness. Scholars speak out their minds based on their perception of the IS. Mowlana (1996) defines the IS as a mere data society but the other scholars term it as one whose centrality is division of labour and services and a society in which pluralism and secularism exist.

Whether viewed at its surface or in-depth psychological or philosophical levels, the technology is the cause and the way people live, the consequence. A fashionable and popular enthusiasm emerged following the admiration for the new ICT, which in turn sophisticated the domestic and routine lives of people in a dramatic and radical way (Hoffman et al., 2001; Preston, 2001; Maule, 2000; Heeks, 1999).

In his ritual view of communication, Dogra (2002) pointed out that communication via new media also engenders sharing, participation, and possession of common faith. And the shift to a highly technical planetary economy (Kelly, 1988) is sinewy to the idea of McLuhan's 'Global Village' with the 'death of distance' and enables individuals, business firms, and governments to reach around the world faster, farther, and even cheaper than ever before in human history (Lee, 2001; Cairncross, 1997). Admittedly, the ICTs continue to change the way one works, shops, learns and communicates (Brown, 2001). The implication is that there is a need to adopt (Chandler, 2002) technologies to keep pace with changes.

To embrace technology is not just a need alone but also a way of life. The American sociologist and economist Thorstein Veblen, who lived during 1857-1929 propagated "Technological Determinism," which

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holds relevance even now, for it emphasises that in a technology-led theory of social change, technology is perceived as a 'prime mover' in history (Chandler, 2001). The technological determinists observe that those technologies such as writing or print or television or the computer changed society at every level. Any surmise that outlines the presence of the new ICTs to be the core of the 'IS' needs no shunning.

TOWARDS DEFINING 'INFORMATION SOCIETY'

That the distinctions among the agricultural, industrial and information ages engendered from the dominant occupations, which prevailed in the respective periods, are not disputed. For, it is a maxim that a society's lifestyle is shaped by those occupations whose benefits attract a majority of the populace.

When the farm hand and the industrial worker identify themselves with the agricultural and industrial ages respectively, the 'Information Age' is not represented by any single occupation. To address one as the 'information worker' is not devoid of ambiguity. The attempts of scholars to categorise the occupations of the 'Information Society' were less than emphatic and varied. Jonscher (as cited in Webster, 2007) identified two sectors—information and production—as dominant occupations of the 'Information Age'. Similarly, Machlup (1984) evolved five broad information groups—education, media of communication, information machines (computer, musical instruments), information services (insurance, law, medicine) and other information activities (R&D, nonprofit activities).

Conversely, Marc Porat (1977) offered a three-fold scheme, classifying 400 occupational types into three categories—production, processing and distribution of information. The first category, comprising the occupational types like scientists, inventors, teachers, etc., produces and sells knowledge, the second category, which gathers and disseminates information comprise managers, secretaries, clerks, etc., and the third, operating information machines and technologies that support the other two categories, consists of occupational types such as computer operators, telephone installers, TV technicians, etc.

The surmise that the 'Information Age' is identified as a result of more people taking to information-based occupations is not contended with. Unlike the 'agricultural' and 'industrial' ages, the 'Information Age' has given way to a numerous variety of white-collar occupations. The 'new age' results in not only diversified occupations, but also spawns a visible growth in many parts of the society. Information Society scholars have been merciless in describing the 'new society' from the point of view of culture. "Pseudo-sophistication" and "artificiality" is the sort of intangibles that have crept up into the society. If this is homogenisation of a global culture, the 'Information Age' could have a setback. Nevertheless, a new facade of the social system has begun to shape up following the increasing use of the ICTs. The socio-economic 'happenings' in the present society are multidimensional, whose causes are even more multiple. There is a sudden explosion of the newfound freedom—social and economic. The rise in literacy is of late, quite visible. The middle-class in the developing nations is capable of accessing its once-dreamed-about lifestyles. Above all, the enterprising are forever on a 'search' realising the potency of the world.

"The information superhighway may be mostly hype today, but it is an understatement about tomorrow. It will exist beyond people's wildest predictions. The digital planet will look and feel like the head of a pin."— Negroponte (as cited in Preston, 2001). Negroponte's observation that the information superhighway is hype continues to hold relevance as the process of initiation into the information revolution has not yet been experienced by a major segment of the world population. It was found that more than 80% of the people in the world have never heard a dial tone, let alone sent an email or downloaded

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information from the WWW (Black, 1999). The impediment that glares is socio-economic in nature. Most of the Third World Nations and Latin American countries experience obstacles aplenty. Even in India, illiteracy is one of the foremost deterrents for development.

If illiteracy is the concern on the one side, negative economic factors form another one on the other, particularly in the Third World Nations. In his analysis of the rural-urban digital divide Hindman (2000) observed that the era of Information technology was bound to create users and non-users of technologies. In the long run, those who keep the information technologies at a distance or those who do not access them will be ultimately isolated from the forward-looking society. In the digital era, if one were to be classified under the 'non-use' and 'non-access' of information technology categories, it may lead to perceived nonexistence and those who joined the revolution group would be economically forward. Ruet (2002) added that the budget-based development on the traditional public model would be overshadowed by the new economy's valuation of networks. At its base, the Information Society's strength lay in the changes generated in different spheres driven by information, whose spread is the result of technology. Nevertheless, the changes that swept the pre-industrial and post-industrial societies are accredited to the dominant occupations that spearheaded those economies (Rose, 1991). But the social, economic, and cultural changes in the new economy are purported by the 'changes in the role and organisation of information', the key to defining the contemporary society.

CHANGE IS THE KEY

The 'Information Society' experiences explosive changes in many a field, especially education. Both formal and non-formal educations are poised for stupendous growth wherein interactive education, instruction, and distance education will gain mileage from the new technologies (Trivedi & Thaker, 2001). The apparent and inevitable changes now experienced by the society are imminent rather than willed. While imbibing new technologies, social upheavals take place, either spontaneously or force them upon ourselves, for we welcome change at least sub-consciously. Mowlana (1997) propagated four change dimensions—Centralisation of decision-making and control, Homogeneity, Hegemony, and Global system of nation states—that resulted from the ingress of the new ICTs. They point towards a trust-mistrust combination that precipitated in the space between technology and society. While realising the need for existing alongside the advancing technology, man took a fancy to uplifting himself socially by becoming a link in the electronic society and he not only made online courtesy calls but also passed on information to others both, relevant and otherwise.

INFORMATION VS. CHANGE

In his elaborate reviews of the 'Information Society' Frank Webster (1997) observed, "Post Industrialism is widely regarded as an 'Information Society'. The best known characterisation of the 'information society' is Daniel Bell's theory of Post-industrialism." Daniel Bell had projected the pivotal role of information/knowledge as the centrality of the emerging Information society. Bell (as cited in Webster, 1997) contended, "We are entering a new system, a post-industrial society, which, while it has several distinguishing features, is characterised throughout by a heightened presence and significance of information." Daniel Bell also argued that information and knowledge are crucial for Post Information Society,

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both 'quantitatively and qualitatively.' The "heightened presence" of information as a characteristic of the post-industrial age notwithstanding, one experiences a visible qualitative change, which Bell (1976) called 'theoretical knowledge'. That Bell's theorising pointed towards the increase in information in the social, economic and political fields is neither disputed nor found incorrect, whereas his premise that the 'presence of heightened information' signalling a new kind of society may not be saleable.

Post-Industrial Society stemmed from structural changes in society and not from changes in politics or culture. Bell (1976) asserted that change could seldom originate from any one sector and influence other dimensions of society. He opined that the developed societies were 'radically disjunctive' (Bell, 1980). "That is, there are independent realms—social structure, polity and culture—which have an autonomy one from another such that an occurrence in one realm cannot be presumed to shape another," (Webster, 1997).

The convergence of communications technologies, a cause for structural changes, is likely to have some significant impact on society in terms of change in life-style, viewing pattern, market strategies, employment, formal and non-formal education, etc. The convergence services provide access to information and interactivity leading to a better-informed society. It opens up an opportunity for reaching out to the inaccessible sections of the society (Trivedi & Thakar, 2001). In his interview with Herbert Schiller, Lovink (1997) observed, "Everything you will discover in the areas of television and film will come back in the Net. The patterns are going to be very similar. We are nowhere near to what they like to call an Information Society. This term serves to camouflage the current reality".

All sincere attempts at defining the 'IS' though yielded results, an emphatic bird's-eye view is yet to be achieved. But, the term 'information' largely influences the idea of the new society. From technological angle, that the Internet is second to none in the overwhelming quantum of information available at any given point of time at any single location is a cliché. In his scrutiny of the information industries in Asia, Kyung (2001) pointed out the superiority of the Net in the developed nations. In the US the Internet dominates in terms of contents and traffic of information and the U.S. is more or less the 'hub' of World Wide Web in every respect.

The new media of communications technologies, particularly Internet has a firm footing in the developed nations. Nevertheless, much to the chagrin of the users, these technologies infringe mercilessly upon the privacy of others. Taking cognizance of the danger ahead, the Universal Declaration of Human Rights stepped in. The need to fence the privacy of individuals is as quintessential as the dire need to put the technology to use, for, a society gains impetus when new know-how becomes the means of a more sophisticated life. At the same time, technology alone is insufficient for a society to move into the information mould.

IMPORTANCE OF TECHNOLOGY

The primacy of technologies in creating a society is neither remote nor indiscernible and their dominance is visible quite rampantly in the present. India is not an exception to this condition despite the reality that the advent of the new communications technologies such as Internet and mobile are as recent as the middle nineteen nineties. The growth of the communications industry was not a mere happening but followed a better money inflow into the country in the wake of liberalisation. That the embracing of technology became a reality only when backed up by resources is indisputable and the sidelining of

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the 'have-nots', an inevitable feature of the IS. Those Americans who revel in the greatest connectivity today are typically high-income households. At the same time, the new ICT can be termed to be the most absorbing for the user. In his study "Uses and Gratifications of the Web Among Students" Ebersole (2000) found that television involves only one's leisure time, whereas the PC/Internet affect work, school and play—personal, family and business relationships. He concedes that the chances of the users of ICT to turn into addicts were rather inevitable or one's attraction for the medium could hamper one's routine.

THE SUPPORT OF ECONOMY

The adoption of a technology gains precedence when the potential user is economically comfortable to own it. Many studies of technology adoption have found that the income of the user was a priority as against education and occupation (Dutton et al, 1989). This leads to the inference that technologies are first tested out by the potential user irrespective of realising their usefulness. Yet, the fact that the new technologies are convenient and reliable as information sources has come to stay. Chung and Rodriguez (as cited in AEJMC, 2012) who explored the patterns of use of information sources such as 'traditional', 'on-line', and 'mixed' among investors, found that on-line investors were more certain about the investing environment. It implies that the credibility of the new technologies as information providers is rated high.

OCCUPATIONAL SUPPORT

The visible changes, which pervade the new society, are in the realm of occupation, especially the notable growth of the information industry. The emergence of the information workers has become a reality with the new-found need for information to manoeuvre the industry successfully. Kuo and Low (2001) pointed out that the long-term growing trend in information-related occupations has been in tandem with and supportive of industrial changes in a developed nation like Singapore. When information becomes the pivot of the post-industrial society, the efficiency of the employee is measured by way of his being a user of the ICT. The Luntz (1997) survey found that as much as 29% of the respondents worked for a "large company", which comprised 51, 47, 30, and 22 percents of the "Super-connected", "Connected", "Semi-connected", and "Not connected" categories respectively. On the contrary, a substantial 27% of the respondents who were "unemployed", "self-employed" (16%), "work for small business" (13%), and "work for medium-sized business" (14%) comprised the other categories. The statistics reveal that the new technologies pave way for the efficient and skilled people who can find placements in large firms. Here, the adverse impact of new technologies is also revealed in the form of the "unemployed". The adoption of technologies results in new ways of performing intellectual tasks and infusing new processes into the daily agenda of individuals and groups. One such is the preference of American government workers to work from home via computer but only a 14% had the opportunity (Temin, 1992).

The new technologies found their footing in India too. The citizenry began to adopt the new technologies at a great pace as (Ruet, 2002) there was a forecast that India's information technology workers would grow from 70,000 a year to 3,50,000 a year by 2008. Taking this cue, the U.S. IT companies decided that along with flying down professionals from India, they could relocate part of the work in India through networking.

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VALUE OF 'TIME' AND 'SPACE'

The foremost strength, contraction of space, of the new technologies notwithstanding, the potential user is located in the cities rather than in the suburbs. Hindman's (2000) study reflects that residents in metropolitan cities adopt and use various information technologies than residents of non-metropolitan cities. This is a fact, not only in the case of the West, but also that of the developing nations. The nullifying of the unimaginable distances involves mostly cities due to the dominant presence of users of the new technologies in them. The inference that 'income' was the central reason for technology adoption was also supported by the research finding that the demographics 'occupation' and 'education' equally supported adoption of technologies. Cities, which overwhelm in higher levels of occupational and educational status, would invariably figure among networked places.

CULTURAL HOMOGENEITY

The 'IS' is one in which the general value of life undergoes categorical improvements in the modern sense, wherein the lives of the younger generations are "Much better" than those of their parents (Luntz, 1997). The survey also reveals that the users of the technologies alone do not benefit but also the non-users, thereby the advent of the new communication technologies improves the lifestyle of a society in general.

The positive effects of the ICT are not economic alone, but social too. Technology users are quick to expand their horizons of friends and business partners. In a study of 'dependents' and 'non-dependents' of Internet (Young, 1996), 'Dependents' show a keen interest in creating new on-line relationships by "increasing their immediate circle of friends among a culturally diverse set of world-wide users." They reflect more affinity for on-line relationships as their personal identity could be concealed urging them to build strong bonds. The widening of the social circle, though a positive effect of the new ICT, is often dented by the users' attitude of concealing identities, a peculiarity of the information age.

The technology-driven changes became apparent in the people's lifestyles, in the form of a greatly augmented consumerism with on-line shopping becoming a part of the domestic routine. With satellite technology and the Internet rapidly improving, Internet and cable TV shopping emerge as new types of non-store shopping and is expected to impose a great deal of influence on the traditional store shopping. On the contrary, the online shopper is always wary of the confidentiality online. The groups that express more serious concerns are the same groups that use the Internet more frequently. These concerns could reach great proportions in the future especially when the reported cases of cyber crimes are on the rise.

When sophistication and improved economic value of life as characteristics of the 'IS' are placed on one side of the scale, like in any other form of society, other neutralising concerns might surface on the other. The problem of white collar crimes goes hand-in-hand with pornography, sexual discrimination, and male dominance. Heider and Harp (2000), using textual analysis and a feminist theoretical framework, while examining pornography sites on the WWW, found the Internet to be reifying existing power structures, i.e., male dominance and the exploitation of women. When industrialisation forced replacement of agriculture as an occupation, the repercussions of modernisation of the society did have telling impacts, socially and economically, and continue to do so.

A concrete classification of this new society continuing to be elusive to scholars notwithstanding, the philosophers of the 'IS' have ascertained the determinants that are responsible for its creation. Having acknowledged the deductions of many an author on the 'Information Society', Webster (1997) constricts

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to five specifics— 'Technological', 'Economic', 'Occupational', 'Spatial', and 'Cultural'—that shape and characterize the new civilisation. He posits that the resultant changes in the 'post-industrial society' are visible in many realms particularly the five aspects, the core areas that together mirror the making of the 'Information Society'.

TECHNOLOGICAL

With the presence of technology in the society being realised in the 'post-industrial' era, the overwhelming presence of technology in information storage and dissemination coupled with cheap modes of processing, has begun to redefine the routine and lifestyle of people.

While regarding the new Information and Communications Technologies (ICT) as distinguishing features of a new society, Webster (1997) predicted the formulation of a "techno-economic paradigm" with the rampant spread of the Integrated Services Digital Network (ISDN) at the foundation of the Information Society'. He perceived a 'flexible specialisation' on the work front, as a result of constituting the ICT to spur a new way of administration. All perspectives lead to a point of view that describes the 'Information Society' as one that is technology-driven, as Gates (1995) contends, "I'm optimistic about the impact of the new technology. It will enhance leisure time and enrich culture by expanding the distribution of information. It will give us more control over our lives and allow experiences and products to be custom-tailored to our interests".

The boisterous technological changes that churned the developed societies in the latter half of the 1970s gelled with the emerging 'post-industrial society' as surmised by Bell (as cited in Webster, 1997) in his 'The Coming of Post-Industrial Society'. Castells (1989) also agreed emphatically, "Restructuring could never have been accomplished without the unleashing of the technological and organisational potential of the 'informational'."

According to the Commission of European Communities (Mowlana, 1996), "Telecommunications is the most critical area for influencing the "nerves system" of modern society and it must be viewed as the major component of a conglomerate global sector comprising the management and transportation of information." As rightly positioned, telecommunications, the bloodline of the new Information and Communications Technologies (ICT), creates a social metamorphosis by strengthening the interdependence in society through the mediated form of communication. Preston (2001), while exploring the three-corner relationship involving technology, information, and social change, wrote eloquently about telecommunications that, the explosion of the highly mobile character of telephony and the transition of the personal computer from isolated office automation equipment to a highly flexible form of communication and networking gadget, is noteworthy.

TECHNOLOGY AND SOCIAL CHANGE

The point that there exists an unshaken trust between technological innovations and social changes is not easily contested. The third-wave theorists postulate that the new technologies create many a fundamental change in the social fabric of the advanced societies. It made stronger sense to infer that the developing societies were close on the heels of the advanced ones. Speculations about the winner at the end of the race are meaningless, because only the stronger nations can withstand the inevitable social upheavals

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that could create dislocations or fractures in the existing system. Toffler (1980) contended that 'a new critical transition' landed the society ushering in 'a third civilisational rupture' creating transformation in the social, economic and political forms.

The theories behind technology-created social change are not new to the new economy but as old as Cohen (as cited in Dogra, 2001) who observed, "the hand mill gives you society with the feudal lord, the steam mill, society with the industrial capitalist." Every society is the result of technological changes. Today, the new media are seen as the crossbreed of communication technologies fetching for itself a social status that runs parallel to the potency of the medium. Yet, the users of the online medium do not see it any different from the older media such as the electronic and print (Lin, 2000). As the purpose of all technologies were to empower the user in some way or other, the ultimate impact of the new technologies was to give end-users greater power to shape their computing systems and to manage their information needs.

The encouraging social and economic changes that trigger the new facade of the society are weighed down by the user's receding trust in the new media. Hoffman et al, (1999) opined that consumers are withdrawn when the electronic network does not safeguard their privacy and security. Conversely, the Indian scenario reflects a more optimistic reaction to using the new media, which helps the society realise for itself the need for easy adaptability to the new technology.

In his analysis of the new media, Paniyil (2001), while mentioning the relief that the ICT brought about for Indian consumers, pointed out that the railway ticketing information is available without the help of touts and examination results, without mobbing in front of notice boards. Indians' easy adaptability to technologies, particularly the Information Technologies (IT), perhaps help in the nation's rating as a topper among 53 nations in terms of IT expertise (Devraj, 2000). At the same time, he placed India at the bottom in terms of telecommunication infrastructure. Though the observation was relevant some years ago, it is otherwise now. The telecommunication technology that runs across the length and breadth of the country is one of futuristic generation. It is rather more pertinent to point out the socio-economic aspects as deterrents that normally plague technology diffusion in India.

While dilating upon the setbacks that impede technology diffusion in India, Shastri (2001) observed that the elite prospered with the private education system, whereas the rural populace (forming more than 60 per cent of the country's population) solely depend upon the public education system, which was faced with a fast-decreasing support from the government resulting in the creation of information haves and have-nots. The distinctions between the two are bound to reflect in intangibles such as upbringing, culture and education. While thinking on similar lines, Trivedi and Thaker (2001) also predicted that the new society would be faced with a new divide—computer literates and illiterates. The computer savvy people would leave behind a large mass of the older (35-50 years) generation in the race for technology adoption.

MEDIA CONVERGENCE

Convergence of different ICT is an intrinsic creation of the Information Society. Though branded as a revolution, Trivedi and Thakar (2001) argued that different perceptions emerged with regard to media convergence. Two schools of thought hold diametrically opposite premises. One thinks that technological convergence leads to media convergence and the other that though convergence is technically possible, divergence of media was bound to continue. When seen from the point of view of countries like India,

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media convergence could be unaffordable by a major segment of the population. The authors' premise further that the consumers would seek more value for money and simplicity in operation and that if it failed, the reasons were three: cost, complexity and consumer needs.

The issue of affordability is not exclusive to the developing or Third World Nations alone, but also to the developed nations. The former US Asst. Secretary of Commerce, Irving (as cited in Black, 1999) remarked, "Think how powerful the Internet is. Then remind yourself that fewer than 2% of people are actually connected". Lee (2001) also observed that the spread of the Net was rather dramatic and that it had taken only four years for the Internet to reach 50 million users. The amount of traffic carried over the Internet is said to be doubling every 100 days. The power of the medium permeated every nook and corner of the globe but did not touch its entire populace. According to Nua Internet Surveys (as cited in Lee, 2001) the Internet users had skyrocketed since 1998 and it was estimated that some 407 million people were connected to the Internet in 2000, and this reached almost 700 million in 2001. This reflected that the Internet was the fastest growing communication technology in human history. Region-wise, the Internet showed heavy concentration in the North America (40.8%) and Europe (27.8%), claiming 68.6% of the world's Internet users. As of 2014, with a penetration of 40.8% of the world population, the Internet covers nearly 3 billion users (ITU, & UNPD, 2014). It is inferred that among the ICT the Internet is apparently viewed as the foremost technology with one of the fastest growth rates. Though undisputedly, a revolution among technologies, it is improper to expect the medium to find its way into the hands of different economic strata of the society. This expectation never arose when either the television or even the radio made their entry.

ECONOMIC

The trend in the 'new age' is to ascribe an economic value to every piece of information that goes to contribute to the Gross National Produce (GNP). Peter Drucker (2001) deduced that 'knowledge' became the basis of modern economy, shifting from economy of goods to economy of knowledge. Information Society theoreticians argue that the society has evolved into one in which the distinguishing feature is that knowledge and organisation are the prime creators of wealth.

The premise can seldom be refuted, for, the strength of an economic activity is determined by the acceptable use of a piece of information in such a way that it can be converted into 'knowledge' for a congenial output from that activity. The essence of a strong database of information can "homogenise disparate economic activities" (Webster, 1997) and thereby leverage the society economically.

To experience the benefits of a technology by appropriately manoeuvring its potential, means that the objective (to enhance one's life economically) of its user is well-focused. Invariably the educated and the economically forward are likely to be regular participants of the electronic network game. This has the support of Peter Drucker (2001) who opined that the 'next information revolution' would involve all major firms of the present day society. The resultant will be the imperative need to redefine business enterprise as the "CREATION OF VALUE AND WEALTH". He also observed that the computer would be a watershed at the workplace impacting the top management deliberations in business policy, strategy and decisions. It is discerned that all business houses used the ICT not only to expand their business horizons but also to institute value-added services for the customers. This in turn provided the society at large, with an opportunity to enter new realms of consumer activities and trigger the need to address quality in a product and life. The focuses of the Post-Industrial Society are the service sector,

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which paved way for new opportunities that were non-existent in other societies, and self-employment ventures. Toffler (in Preston, 2001) identified the growth of a new sector that comprises "prosumers", whereby people produce more goods and services, not for sale, or even barter, but for their own use.

The major pitfall that can emerge in the long run would be the economic differences between people with the wherewithal and others without. Patterson and Wilson (2000) referred to the new ICT as 'engines of inequality', that contribute to an ever-widening gap between the rich and the poor, which has now reached 'grotesque' proportions. Irving (in Black, 1999) vouchsafed, "Low-income persons, the less educated are among the groups that lack access to information resources." Contrarily, there are others who contend that ICT has a tremendous equalising potential.

INFORMATION AND ECONOMY

The economic value of the 'IS' is spurred by the informational value developed and information would be the basis of the informational economy, which would cater to all economic needs of the society. Both the economy and the society would grow and develop around the core of production and use of information values (Low, 1997). Information as an economic product will exceed goods, energy and services in importance (Masuda, 1990). The 'intangible' information gains value proportionate to the degree of use it is put to. Those who convert the information into knowledge are slated to ascend higher up and others could be left behind. The power to control information is bound to create income disparities amongst young professionals, which will in turn have a telling impact on the educational system. Similarly, the relatively disadvantaged rural and non-metropolitan economies are likely to suffer from lack of newspapers and contemporary courses in schools and colleges. Hindman (2000) mentioned that if these communities were to be wired residents would read online newspapers and students take up those futuristic courses available in the metropolitan cities. Equipped with telecommunication infrastructure, the 'isolated' societies could evolve themselves into diversified economies and provide jobs for displaced farmers. But in a country like India mere information could be futile. Deb (2001) argued that unless power, water, roads, and other infra-structure improved, reforms might never touch Indians and that a decade of reforms and lowering of import tariff had only ushered in a consumer boom for the strong Indian middle class.

OCCUPATIONAL

Rampant changes in the distribution of occupations are at the core of the most influential theory of the 'Information Society'. Bell's (1976) propagation of the emerging "white collar society', the receding industrial labour, the rising communal consciousness, and the developing of an equality between the sexes, provide a lucid sketch of the Information Society.

The arrival of the 'Information Society' is realised with the domination of the labour market by 'information operatives', which brings together the occupational features and the 'economic measures.' The fundamental premise of the information society's scholars about its evolution points towards the predominance of occupations in the information sector where clerks, teachers, lawyers, and entertainers outnumber coalminers, steel-workers, dockers, and builders. The occupational trends in the 'Informa-

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tion Society' do not signify the fading importance of the agricultural or industrial occupation, rather it emphasises upon the shift in the nature of work, i.e. from hard physical labour to mental deliberations.

In order to define a type of society, it is almost certain that the predominantly prevalent employment is spontaneously used. The most common occupation became a "defining feature" (Bell, 1976) of particular societies. When the agricultural labour pervaded the agricultural society and the factory worker dominated the industrial society, the service specialist surfaced in the post-industrial society. The critical factor in moving from one society to another is that it becomes possible to get "more for less" (Webster, 1997) from work because of the principle of efficiency. In the pre-industrial epoch everyone had to work the land just to eke out a living. However, as it became feasible to feed an entire population without everyone working on the land it was possible to release a portion of the people from farms so that they may do other things while still being assured of an adequate food supply. Accordingly they drifted to the towns and villages to supply factories with labour while buying their food from the excess produced in the country.

To mention that the surpluses in agriculture indirectly led to the proliferation of the other sectors is not incorrect. The 'unthinkable luxuries: e.g., teachers, hospitals, entertainment, and holidays' (Webster, 1997), take roots when the surplus-producing work force of the agricultural sector move to the towns to create industrial wealth, which in turn created new opportunities in 'services'. The process (the automation of industry leading to robotic factories, continuous release of people from industry, and creation of new vistas in services in order to fulfill the new needs) is continuous as the society entered the Information Age. For Bell, (in Webster, 1997) a 'service society' is a post-industrial one. The 'Service sector' transfers employment from one sector to another. The ethos of "more for less" impels automation of first agriculture, and later on industry, thereby getting rid of the farmhand and the industrial working class while simultaneously ensuring increased wealth.

SERVICE SOCIETY

Bell (1976) deduced that the Post-Industrial Society is an Information Society and a service economy reflected the coming of post industrialism. However, Gershuny and Miles (1983) contended that the service occupations, defined as those outputs of which are non-material or ephemeral, are not limited to the service sector. The underscore of the agricultural society is the dependence on raw muscle power (Bell, 1976), the strength of the industrial period was the domination of the machine. Conversely, the pivot of the post-industrial society is based on services—'a game between persons'—where information was the tool. Even history brands as important the presence of the erudite and the skilled for the advancement of any society. The surmise concurs with Perkin's (1990) theory that Britain reflected the resourcefulness of professionals who ruled by the wealth created by the educated and sustained by the exclusion of the unqualified.

In contrast, research and theory has it that the fundamental development of a society became tangible only with the constructive 'inclusion' of the unqualified and the weak. In *The Coming of Post-Industrial Society,* Bell (in Webster 1997) highlighted trends, such as the increased presence of professionals, which have important consequences for politics (Will professionals rule?). Here one could discern not the isolation of realms, but their interdependence as opposed to the view of Bell. In a job-centred society, work represented not only income and sustenance but also self-respect and self-worth. If the 'workers' of capitalist industrialism and informational society are juxtaposed, the distribution of 'social position',

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'power', and 'status' would weigh heavier in favour of the latter group. For, the 'information worker' prevails over his counterpart as a 'white-collar worker' (Low, 1997; Rose, 1991).

Popular theories of the information society reflected three types of occupations, 'extractive', 'fabrication', and 'information activities' that pervaded different societies. The dominant group in the post-industrial society is the third in which an overwhelming number of information workers existed. The growing presence of professionals not only meant perennial flow of information but also quality orientation. Here the information worker is the white-collared professional (Bell, 1989). More than the individual, the promotion of the community through valued relationships began to be realised.

The effect of using the IT reflects on the work front and culture or lifestyle, which accompanied work. Private companies, by adopting IT, create professionalism by providing new attire to the roles of information workers. The one new facet of the 'IS' seems to be the importance of education as a "new form of security". In effect, being in possession of a job in the 'IS' is akin to owning a property in another. Because, IT caused the losing of jobs except for those of the skilled. Moreover, the positive effect on the society is that jobs require high levels of creativity for sustenance (Trivedi and Thakar, 2001; Low, 2000).

SPATIAL

The most effective outcome, following the advent of the new ICT is the irreversible "death of distance", resulting in a dramatic effect on time and space. In his thematic analysis of the 'Information Society' Thomas (2001) observed, "the essence of this society is one of 'wired' where networks play the role of bringing together people and organisations that are separated by continents".

Manufacturing industries, which never looked beyond their own geographical boundaries for transactions, have explosively reached out to unthinkable corners of the world, putting the constraints of space asunder. After scrutinising the possibility of the global strategies of companies made possible by the ICT, Goddard (1992) deducted four elements—l. co-ordination of globally distributed manufacture, 2.computer and communication technologies to enable information processing and distribution, 3.explosive growth of information sector, and 4. integration of national and regional economies—in the transition to an Information Society.

That the New Information and Communications Technologies (ICT) have redefined the geographical space cannot be termed as a vague surmise. The distinct effects of the re-creation of space in the IS are tangible in some forms and intangible in others, besides being both positive and less-than-acceptable intrinsically. What used to be a move towards decentralisation of working is now reverting to a centralised working due to the speed with which governance has become a possibility and that too without too many impediments. With the development of modern science, the universally accepted 'global village' has begun to be realised on the one hand, and the nature of this global space becoming abstract, passive and uniform on the other. The abstract space could be open to exploitation as it is interchangeable with any other space. Radovan (2001), who envisioned the positive aspects of this new 'global culture of the present, predicted a more global human solidarity but cautions that the flattening and shrinking of the space of human experience is liable to have negative effects.

ICT has increased the speed with which economic transactions can be conducted over geographically disparate areas. The reach and extent of speedily activated patterns via computer networks might change the geopolitical influence of states and other organisations, rearrange the time and space of the society and also create a 'symbolic environment' (Mowlana, 1997; Harvey, 1989).

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INFORMATION AND SPACE

Although the potential of the new technologies in stringing places on the globe like beads is likely, theyimmobilise people and physically separate them from the society. The primary experience of people when using computers and the Internet is largely immobile and alone, movement is provided on the screen, which may be thought of as a window through which the person looks (Geocities.com, 2002) and as many services will be made available at home on a single device (Trivedi & Thaker, 2001).

At the same time the new ICT networks are propagandist technologies that promote the importance of information transportation around the sphere in order to help in the realisation of economic and social wants while they concurrently reduce the import of places. The flow of information may emerge as the principal aspect of the 'informational society' (Castells, 1994) and the reliance on networks reduces the restrictions of place on contemporary activities (Webster, 1997). The networks ought to have nodal centres through which the information does not merely flow, but where it is collated, analysed and acted upon. While viewing nodal cities like New York, London, and Tokyo as 'highly concentrated command posts of world economy', Sassen (1991) concurred with Castells on branding these cities as 'informational cities', which are spatially dispersed over a wide area and yet interlocked places of economic activity. The rapidity of the expansion of these cities went along proportionately with the equally paced increase in information workers who dealt with the management of the networks, thereby paving way for the 'global control capability'.

The 'global cities' become all the more central functionaries for the world economy as globalisation proliferates. The information producers who form a numerical minority dominate a place in terms of lifestyle. Castells (1989) calls them a "hegemonic social class" that might "not necessarily rule the state but fundamentally shapes civil society".

Though a minuscule minority, the cities that pivot the flow of economic deliberations around the world determine the shaping up of the new society. In Castells' (1994) parlance, this new society is informational and global and makes a vital point that 'informational' refers to more than 'information based' and 'global economy' signifies more than 'a world economy' The 'informational' societies are likely to have an upper hand vis-a-vis those that aren't. The race for a control of the global 'hegemonic social class' could be the near future consequences of the shrinking globe. In a contextual analysis of the changing face of the world, a new form of imperialism is visualised. He observed that the 'global net workers' built overseas hegemony by borrowing from the US its 'comprador' approach for overseas domination, in which local allies (compradors) are assisted to set up new 'independent' countries. These 'comprador' hegemonies administered 'their' spaces in accordance with the needs of their allies in the global centre.

INEQUALITY AND SPACE

The feeling of a shrunken globe due to information technologies notwithstanding, theoreticians do contend that the tedium of distance cannot be eliminated but is but to evolve new types of inequality by making the rural areas more accessible to the dominations of alien corporations. This is quite a truism in the Indian scenario wherein multi-national corporations have made forays into rural India by systematically instituting marketing strategies that deter its lifestyle.

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At the same time, contradictions surface from the point of view of other scholars who think that with the neutralising of distance, as a result of networking, jobs will be made available equally to people of both the urban and rural areas. Consequently, the mere knowledge of jobs without adequate skill can make one a misfit, where the rural man continues to be at the receiving end. The inequality, though a bane to society, is inevitable. Nonetheless, the disadvantages posed by geographic isolation would not hinder the "non-metropolitan businesses, which stand much to gain through the adoption of productivity-enhancing technologies" (Gillespie & Robbins, 1989).

Yet, they are also faced with the "rural penalties" of greater distances from markets and a lack of economic diversification (Hudson & Parker, 1990). Barring the inequalities the 'shrinking globe' can create, scholars forecast a major threat, the making of another world. While national boundaries and, in general, space is becoming irrelevant due to the increasing globalisation, scholars conceive of a 'fourth world' that comprises parts of Africa, S. America and Asia that will be excluded as futile to the global network economy. When the strategists advocate the need for uplifting the Third World nations, so as to help even the developed nations enjoy the benefits of the new ICT and the 'shrunken globe', it would be inconsequential if a 'Fourth World' emerged. In effect, the exploitative act of the first two worlds in enhancing their range of possible social networks by controlling the versatility of a medium like the Internet will not only help them reap dividends but also forestall progression of the Third World nations.

CULTURAL

Viewing through the "cultural' microscope Webster (1997) perceived more confusion prevalent in the 'Information Society' and described it as 'wayward' rather than 'organised'. His observation that the "extraordinary increase in information" attributes itself to drastic changes in lifestyle is not an incorrect inference.

The simultaneous access to abundant information from a variety of mass media, ICT, telephone, etc., has redefined social interaction with a sea change. 'Socialising' is preceded by a conscious effort of storage and analysis of global information, which, to a larger extent, controls the lifestyle. If the IS prides itself in evolving a new culture, the chances of 'culture' being considered a determinant of the new society is rather remote. According to the suppositions of scholars, the presence of a unique form of culture determines the emergence of the 'IS'. Contrarily, if the new culture is seen as the consequence of IS, the tools that shape the 'new culture' gain visibility and importance. The machinations of the agricultural and industrial societies are overwhelmingly responsible for the shift in the lifestyle of their peoples.

Today, the change in lifestyle is so abrupt and directionless that the much-valued cultural ethos is threatened leading to both, a shift in lifestyle and a cultural denigration. A state of confusion prevails upon any analyst who tries to define the 'new culture', for a highly complex paradigm has set upon the society. McQuail's (2000) observation that the communication technology has an effect on culture, as communication and culture are intertwined, aligns with the idea that the tools of communication shape the lifestyle of a society. Moreover the "common value system" (Bell, 1976) which was highly regarded throughout a system is now faced with the imminent death.

Irrespective of the nature of changes, Mowlana (1997) agreed that the fundamental form of culture and methods of communication of the industrialised nations are on the decline to give way to a new and different form altogether. The immense opportunities that aid people to form networks, irrespective of distance, open up newer reflections of the society. While examining the potential new marketplace of

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ideas that exists in cyberspace, Brown (2000) expressed that citizens are provided with universal access opportunities to new media, thereby increasing the diversity of expression and discourse in society.

The high levels of discourse point towards the increasing educational strength of the participants, who eventually become information professionals. As a result of increasing their earning power, the 'IS' professionals are naturally drawn to the luxurious lifestyles offered in large urban centres rather than in the suburbs (Sassen, 1991). The participation of the well-to-do professionals alone is insufficient to promote a collective culture, and ignoring the voice and vision of underserved communities will greatly limit the ability of the Internet to function as a tool that strengthens local communities.

CULTURE AND DEVELOPMENT

If the marginalised are to be supported, they ought to be helped in experiencing the new technologies through applied educational methods. As social scientists have predicted, the non-users of information technologies may find themselves misplaced and incapable of keeping pace with the rest. Hindman (2000) went a step further and reasoned that the perpetuation of status and power in the information society depended on the patterns of use and adoption of the information technologies among the population. Implied, the people who rein in a new lifestyle in the Information Society would be the ones who apply the technologies in the most diverse manner. The benefits of the speed of adoption of technologies might be rocked by certain threats to society, if the speed became uncontrollable and lacks direction.

The profundity of the consequences of the new ICT is proportionate to the uncertainty of their nature and causes (Low, 2000; Mowlana, 1997). The GVU survey (2001) also reflected that users are wary of providing financial information on the Web. To add, the more convenient the technology became, the more the problems to encounter (Trivedi & Thaker, 2001). Nevertheless, despite the prediction that convergence would influence the life-style of people, experts do opine that for a single device to replace the television, computer, and telephone, it would take some years before it permeates very deep into a social system. For each of the technologies has its intrinsic use and importance.

PLAUSIBLE IMPLICATIONS OF THE INFORMATION SOCIETY

The breakdown of the traditional way of 'discriminating' women socially is becoming a reality. Women are geared to be a part of, and contribute to the new culture in equal vigour as that of men. The prominence of women in the social and political fronts has come to stay with the thinning down of the status of inequality between men and women.

Although the uncomplicated purpose of use of the new technologies is mutual to all to 'cover distance' and achieve 'speed and convenience', users belonging to various age groups think independently of each other when it relates to their own 'spaces'. The prominent presence of the teenagers or youth in their domination of the networking culture cannot be disregarded even though their objective of occupying the virtual spaces is a debatable one.

The youth, in general, reflect a capability for faster adaptability to the changing environment as opposed to the 'cautious' approach of the older age groups. They are, more often than not, prepared to conceptualise a new structuring of the social relations, and interact across indefinite spans of' 'time' and 'space', which Giddens (1990) calls 'disembedding'. .

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The reality of the environment of the present youngsters is that they were born into a digital world and are strapped to a mobility that is faster than the eye can follow. Although the Information Society' holds plenty of promises for the 'Netizens', their lack of experience of conventions and social life, can alienate them physically from their own surroundings.

The threat of digital divide looms large which results from the increase in the income of one segment which is techno-savvy. In addition to their high educational standing, the users of the Information Technologies can acquire more comforts in life because they are 'information rich'. For those in the 'very low' income bracket, it's extremely tedious to keep pace with the rest and is bound to be relegated to the background, socially and economically.

The deterrent of the Third World nations' progress is lack of adequate governmental support for the educational sector, besides population explosion and poverty. When elementary aspects are neglected, no amount of valiant efforts made in networking the society can result in the genuine form of development, for, the 'ignorant' would always remain dependent on assistance in order to use the new technologies. The sustenance of the government institutions must become a commitment so as to be on a par with the private ones.

As a personal communication technology, the mobile phone which has outpaced the landline is instrumental in the mushrooming of the service industry which is devoid of a 'permanent address'. However, the opportunity for low-investment self-employment seen in the present society is a resultant of the mobile technology.

The new communications technologies have begun to phase out other technologies which were the pivotal forces in office automation. The attempt to create 'paperless office' may see success even in the developing nations, but 'administrative security' never comes with an affordable price tag and even the most advanced nations fear the shelving of hard copies of documents.

With the often slashing of excise duty on personal computers from the government's budget, the markets get buoyed with buyers, due to affordability. India has also gone to the extent of inventing the 'simputer', the common man's computer, to make it affordable for all. The ardent computer user upgrades his system to meet with the equipment of the future, but how would the common man or the illiterate even get to feel the machine when his basic needs are not met and his right to education denied.

Networking has become a reality and is proliferating at an encouraging pace. The aim of achieving efficiency brought in 'decentralisation' of work. But networking has reintroduced the centralised working with a recreated version 'centralised-decentralisation'. The head office keeps a close watch on the working of its branch using the 'wired network' and continues to give directions by the minute.

The perception of the Internet users especially the youth, on the causal factors of the Information Society, run parallel. The future will show an increase in the users' dependence on the medium, making it a part of their lives. Singh's (2001) reservation that all individual media would shed their separate identities and converge on a single platform to provide "more for less" is the premise that cannot be ignored.

The composition of Webster's (1997) 'techno-economic paradigm' is today a realisation that few can rebut. Though the theory of social change engineered by technology is as old as Marxism, the change being felt in totality in the new age was unheard of in the previous societies. The 'third-wave' theorist Toffler (1980) called this change 'a new critical transition which has landed the society in 'a third civilisational rupture'.

The benefits of the new technologies, though numerous, can tend to be weighed down by the burden of the ills they are liable to cause. If the society does not 'stray and instead view the new technologies in

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the right perspective, the outcome of Preston's (2001) 'three-cornered' relationship involving technology, information, and social change may benefit mankind.

The role of the 'economic' determinant of the 'IS' is a watershed, which can be exploited by the skillful use of the new technologies and a mature analysis of the information disseminated through them. An ingenious handling of the new technologies would help reap better niceties of life. This is seen as a parallel to Drucker's (2001) observation that knowledge has become the basis of the modern economy, which ratifies the theory that "knowledge and organization are the prime creators of wealth."

To comprehend the worth of a piece of information that can be converted to knowledge lies in its intensity to produce a proportionate homogenisation of an economic activity. But, the one major setback that can befall a society, particularly a developing one, is the widening gap of inequality that can forestall any progression with equal strength.

That a major 'occupational' shift has come about in the new society is uncontested, which also confirms the propagations of Bell (1976) that 'white collar society' with a growing number of professionals is emerging and that now it is possible to get 'more for less'(Webster, 1997) the principle of increasing efficiency.

On the other side of the coin, the pull-back could be alarming, when the unskilled and unqualified would neutralise the efficiency of the 'professionals.' In the long run it's imperative that the skilled and the qualified professionals push up the 'weak' in order to stabilise the growth of the society.

The benefits of the 'spatial' aspects of the Information Society are attributable to the new technologies. This characteristic of the society is a long dreamed of phenomenon, helping the world inch closer to McLuhan's "Global Village." Moreover, the making of a new form of 'centralisation' ('centralized-decentralisation') cannot be ignored. Additionally, a networked society could run the danger of making its realities abstract. The swapping of 'abstract' places may take place leading to an insecure feeling of 'invasion of privacy'.

Having gratified their users, the new technologies, when viewed through the 'cultural' microscope, tend to threaten their users' values. The fear is all about an abrupt change that can create a loss of direction, leading to a state of confusion. This could be the 'beginning' of the loss of the local culture. A cultural homogenisation is a proposition that may not sink into the minds of people, especially those of the developing nations. The 'common value system' deduced by Bell (1976), which was regarded for long, could soon cease to exist.

CONCLUSION

In anticipation of the impact of technologies, the observation of one of the pioneers of studies in the province of technology and society deduced that all technologies brought about a social change (Pichandy, 1994), which suits not only the past, but also the future.

Irrespective of being a developed nation, changes accentuated by technologies could demonstrably strengthen and also abruptly pre-empt economic development and healthy progression. The outcome of the nature of developments will engender from the means of channelising the use of technologies. To visualize technological use, strictly on the basis of the realised needs of a society, would be a safe ground to tread on. The co-existence of opposing schools of thought in any given period of time is justified, as changes can be both productive and destructive to any society.

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The adversities of the new age, if any, can be borne with equal vigour by neither a developed nor a developing nation like India. The shocks from an onslaught may be absorbed unperturbed by any economically strong nation, but the same might leave the pain unabated for generations in a developing one. The policy-makers of the latter nations need to address the cause of ills, before launching any developmental effort.

No development is sustainable when a major segment of the society is living in wretched conditions as in the Third World nations. The divide between the 'haves' and 'have-nots' will widen further leading to inconsequential effects even on the 'haves'. The government efforts on encouraging privatisation could turn out to be the ill of a developing country. For, there is bound to be a prohibitive hike in the cost of education, further distancing the 'have-nots'. A balanced approach to the policy is most warranted. Similarly, the same goes with the developed nations. Their sustenance will depend on their assistance to the needy nations. To realise the effects of globalisation, sincere attempts to chalk out plans for concerted contributions is the need of the hour.

The new society witnesses the emergence of skilled people, leading to professionalism and a scientific approach to issues. The use of skilled workers could become extremely expensive in the future, forcing the introduction of 'do-it-yourself' kits in the Third World markets. Besides, the notion of 'survival of the fittest' has already found its footing, resulting in downscaling of the work force, and retaining only the skilled. This accepted norm could possibly remove the fangs of the trade union movement in democratic countries, in particular, and eventually cause its extinction. The increasing demand for skilled persons in the new age will create the increase in part-time occupations, wherein those talented would tend to make more money to meet the needs of an 'expensive' future.

One principal outcome of the theories of the contemporary society is the need to use technologies to the hilt. For, the more they are put to use, the better will the economic benefits be. The hierarchies of the workplace are flattened, leading to the easy two-way links between the top management personnel and the floor workers. The traditional hand-me-down businesses in the family are faced with cessation, as the new generations have diverse thinking about novel ventures. The use of English language on the Net are heightened and the diminution of the regional languages is probably not far away. However, to achieve the dream of 'wiring' a developing non-English speaking nation such as India, a multi-lingual approach is crucial.

The strength of occupation in the 'Information Society' is the axiom in this context. The outlook of every kind of job has a changed facade. The change is the transition from the hard labour to the sophisticated mind manager. The information worker has become a reality only due to the machines that are available to help realise his vision. Had there been no industrial society, there wouldn't have been the 'Information Worker'.

The making of the 'Information Society' is discerned to be the extension of the toiling farmer and the industrial labour. It's the transition of one era into another, with changes in its basics. The sophistication and modernity embedded in the 'Information Society' is not actually divorced from the traditions of the yesteryears, but just seemingly discarded. The portrayal of the IS is more or less artificial in nature, which can't dislocate the cultural ethos of any nation. With the dramatic upsurge in the flow of information, its credibility is drowned in distrust, as tens of thousands of individual websites are bursting at the seams, suffocated with 'information'. The increase in cyber and white-collar crimes results in the inevitable rise in the invasion into people's privacy. A much-transparent approach, among peoples and nations, to the use of the new ICTs is undoubtedly commanding and anything opposed to it can brand the 'new society' a myth rather than a reality.

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KEY TERMS AND DEFINITIONS

Centralised-Decentralisation: With the decentralising of power came decentralising of work and decision-making. Conversely, the advent of the networking technologies in the workplace tends to diminish the culture of decentralised working since the 'boss' can oversee the employee's work instantly causing sudden interventions.

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Convergence: Primarily the term coincides with the combination of different technologies—telephone, computer, broadcasting, and Internet—on a single platform. However, it is pertinent to understand the term from the point of view of multiple activities being performed within a moment using the advances of the new communications technologies.

Cultural: The drastic changes in lifestyles can be experienced with the overwhelming flow of information. The concept of 'cultural shock' may be obliterated from even the conservative societies.

Determinants: If agriculture and manufacturing determined the making of the earlier two societies, a composition of different spheres of activities—technological, economic, occupational, spatial, and cultural—determined the creation of the Information Society.

Economic: Every nature of human activity has a price tag today and hence every piece of information has an economic value.

Information Society: Unlike the predominance of occupations of the agricultural and industrial societies which defined them unambiguously, the Information Society has numerous definitions. However, since information and knowledge is considered to underscore the new age, the term 'Information Society' has a universal applicability.

Occupational: It signifies the transformation from the landed workforce to a sophisticated 'white collar society', the pivot of the Information Society.

Spatial: The advances in communications technologies have resulted in the redefinition of distance and may end up with the creation of 'virtual citizens'.

Technological: The ever-increasing spread of interdependence on technology coupled with mediated form of communication, which replaces interpersonal face-to-face interactions, marks the importance of technology in today's world.

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Section 2

Development and Design Methodologies

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Chapter 12
Picking the People up From Poverty:
Urban Labour Market Deregulation vs. Encouraging the Development of Micro-Enterprises

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ABSTRACT

Being a multidimensional phenomenon, it is hard to confine poverty within any definitive parameters and even harder to send the word poverty back to dictionary. Poverty eradication needs both short and long term strategic interventions; policies regarding employment opportunities should also be planned in such way. As an economic strategy, deregulation targets to eliminate the regulating authorities of labour market and decrease the interference of legal aspects within the relationship between companies and individuals to a minimum level with a great decline in the cases of collective bargaining. Labour market deregulation creates ample employment opportunities for poor people especially women. This paper looks for an effective and efficient way to alleviate poverty between Urban Labour Market Deregulation and the development of micro-enterprises with a sketch of possibilities and vulnerabilities of both approaches and a comparative approach to find the best possible way within these two to remove poverty's shadow from humankind.

INTRODUCTION

Poverty, historically being seen as an economic phenomenon, is much more a socio-cultural entity rather than solely financial. Though the economic side of poverty seems to be the major area of concern of today's development practitioners, poverty also includes lack of access to proper health care, education, information and so on. That's why, when poverty exists in certain area, it cohabits with social instability, increased mortality, petty to hefty crimes, poor health etc. Creating employment opportunities for poor is

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certainly one of the best options to reduce poverty but if we really tend to send the word poverty back to dictionary it will take more than that. Creating and maintaining income sustainability, providing social protection and structural change; a proper synchronization of all of these actions is needed to take out the poor people from the jaws of poverty.

According to International Labour organization (1996-2012), decent job is a bunch of virtues including prospects to productive work with handsome remuneration, physical and social security for workers and their families, freedom of expression and integration, equality of opportunities regardless gender, participation in decision making process regarding the work or organization related matters. With the increasing instances or globalization, modernization and urbanization, every day a massive number of people are migrating from rural to urban areas to search for a decent job, better income earning opportunities, better living condition and moreover to find a better future. Cities are the hub of all major economic activities in most of the countries that combine business, service providers and consumers under one roof. For most of the residents of urban sphere, a well-paid job and income generated from urban labour market determines their financial successes (Eberts, 1995). The urban labour market is not a level playing field and that's why, almost every city in the world creates blatant dichotomies between successful and unsuccessful people; and generates not only a huge share of national fortune but also a massive share of poverty and destituteness among the nation's financially deprived low income workers (Eberts, 1995).

When it comes about creating employment opportunities for poor, there are many ways to do so; from decent job creations and encouraging labour migration to promoting small and medium enterprises. The main focus of this study is about debating the ideas of alleviating poverty through two major instruments of income generations, namely decent job creation through urban labour market deregulation and encouraging the development of micro-enterprise. I will try to jumble with both ideas to find a more suitable option to snatch poor people back from the claws of extreme poverty to an esteemed life.

POVERTY FROM A GLOBAL PERSPECTIVE

Poverty always equals with the words like inequality, discrimination and deprivation. If we follow the definition of poverty by United Nations (1998) we see poverty as:

…a denial of choices and opportunities; it is a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or a clinic to go to, not having the land on which to grow one's food or a job to earn one's living, nor having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence and it often implies living on marginal and fragile environments, not having access to clean water and sanitation.

As a multidimensional phenomenon it's not easy to confine poverty within any definitive parameters. As Mencher (1967) stated the problem of measuring poverty comprises with instituting a comprehensive structure of theory to address poverty, and then applying effective and consistent methods to attain appropriate information. According to Sen (1976, 1979), two different problems to be faced while

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measuring poverty; first is tracing out the people who are actually poor within certain population and second is to combine poverty characteristics of different people into a universal index. Identifying poor people is really a complex issue because poverty isn't only prevalent in households rather it exists in individual levels. Changing in poverty status of a household doesn't imply similar changes in poverty status of individuals cohabiting in that, as distribution of resources in every household happens between 'dominant' and 'dominated' individuals depending on sex, age or family structures (Peluso & Trannoy, 2009, p. 2). When we tend to alleviate poverty, we should focus on individuals rather than households; because of existing inequalities and gender discriminations within households, raising income level or financial status of the family is not well enough to remove the vicious shadow of poverty over people.

SEARCHING FOR A DECENT JOB IN URBAN LABOR MARKET

As the amount of cultivatable land in rural areas around the world is on decrease because of increasing population and industrialization, migrants are now moving into urban areas in more numbers. As the employment opportunity in high productivity industrial areas are inadequate, lot of these migrant populations join urban informal sector and become engaged with low productivity works. Involving in such low income works doesn't help them to alleviate themselves up from low income group (Mitra, 2006). These poor people try to be involved in urban economic sector and to change their economic condition through participating in labour markets but not everyone becomes able to do that and lot of them ends up still being in low income groups as creating demand for untrained and semi-trained labour force in urban labour market is really difficult (Grant, 2008). Meanwhile, urban labour markets are being characterized by the longitudinal closeness of households and businesses that offers 'firms and workers advantages that lead to more efficient markets, enhanced productivity, and greater economic success' (Eberts, 1996, p. 52). Urban labour markets in developing world are mostly populated by semi-skilled or unskilled labour force, who for supporting them and their families is willing to participate in any kind of jobs that are available to them. As a consequence of such desperateness to get a job, they end up with some low paid informal work sector.

Decent work opportunities enable poor people to earn more to meet their basic needs and to ensure a better living standard, at the same time with this increasing accumulation of wealth the instances of tax and revenues grow up which help government to provide more social services to poor people but it needs a combination of social, economic and political policies to create more decent works (Vandenberg, 2006). Poor people cannot ignore any opportunities to earn some money and that's make them more vulnerable to employers who don't ensure safety of working environment or future security of workers rather exploit their cheap labour and desperateness of finding works and put them in some low-end jobs that doesn't has any future prospects to bring them out of poverty situation (Jennings, 2011). If we consider about the working age of 15 to 64, almost half of the world's poor population belongs to this working poor population group (Somavia, 2003). So, when we think about increasing job opportunities to alleviate poverty, we should target to create some decent jobs that will help poor people to fight and come out of poverty. Creating decent jobs are like social upgrading of work environment that tends to lead to workers as an enthusiastic workforce.

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DEFINING MICRO-ENTERPRISES

The widespread concept of micro-enterprises for poverty alleviation was introduced when the world of development policies faced a paradigm shift right after Second World War, basically in early 80's (Taylor, 2009, p. 1). Michael Pretes (2002, 1342) defines micro-enterprises as, 'firms with fewer than five employees; they are typically unregistered and do not pay taxes. To be successful, micro-enterprise entrepreneurs must possess managerial skills, knowledge of markets and prices, and the technical ability to create their product'. Micro-enterprises could be one of the viable options to eradicate poverty in developing countries because of its inherent potential to create employment opportunities; the basic problems one faces while establishing micro-enterprise are financial and structural. Vandenberg (2006) locates that there is an anticipated relationship between small enterprise development activities and poverty reduction. Still, being engaged with any kind of micro-enterprise is a source of employment to many poor people. While financial barriers of starting micro-enterprise includes the lack of credit and capital; structural barriers imply the hardship to enter to the existing markets and compete there successfully.

POVERTY ALLEVIATION THROUGH ECONOMIC MEANS: THE DEBATE BETWEEN DECENT JOB VS. MICRO-ENTERPRISE

Poverty is a multidimensional widespread global phenomenon and the process of alleviate poverty even only in economic sense will need a strategic multilateral approach. Neither decent job creation nor development of micro-enterprises will be able to eradicate poverty alone but when there is a comparison between these two; one will somehow be more effective than the other. Though poverty has to be seen in individual level and intra-household inequalities prevails in the society; creating employment opportunities could be the starting point to fight against poverty. From the history of countries that has succeeded to eradicate poverty effectively we can see that economic growth, which is an important factor in poverty eradication, has to be equality based while its benefits should be distributed equally and that's why employment plays a vital role in between poverty eradication and economic growth (Islam, 2004). Employment opportunities enable people to take part in income generating mechanisms and uplift their existing situation from sheer poverty. Though Zepeda, Alarcón, Soares & Osório (2007) believe that effective poverty eradication can be ensured with creating productive employment opportunities and such process will lead to quick decrease in overall poverty situation; Islam (2004) argues employment can't solely create an operative way out from poverty rather it will need the proper assistance from other development strategies as well. Still, employment is the major approach to poverty eradication just because poor people basically depend on use of their labour to earn their daily livings (United Nations, 2005). As creating jobs for poor people is important besides it's also important to empower people so that they can create job opportunities for themselves and for others as well.

Poverty eradication needs both short and long term strategic interventions; policies regarding employment opportunities should also be planned in such way. Here while I will search for an effective and efficient way to alleviate poverty between decent job creation and the development of micro-enterprises. First I will sketch down possibilities and vulnerabilities of both approaches and in the later part of my analysis I will materialize the best possible way within these two to remove poverty's shadow from humankind.

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Alleviating Poverty Through Decent Jobs

Creating decent job opportunities needs severe efforts because creating jobs in large scale without thinking about basic opportunities for workers could lead to underemployment with sharp increase in unsecured and risky job environment. According to United Nations (2005, pp. 5-9), though there have been a large number of created jobs in recent times, most of those job holders are still snared in poverty because of the low qualities of such jobs. Among these working poor people three characteristics are predominantly visible and needs attention: 'feminization of poverty', majority of poor workers in agricultural sector and increased numbers of workers in informal sectors. If we look towards readymade garments factories in Bangladesh, who are one of the largest suppliers of world textile market, we see there are lots of new job opportunities especially for women but still most of them remains entangled in poverty after being engaged in income earning opportunity just because their jobs don't provide them the basic services that they were obliged to. The same thing is also true for agricultural wage workers in rural Bangladesh, where there is a bulk supply of permanent and seasonal workers. They work in large and small farms for low payment with lack other basic facilities.

The Possibilities of Decent Jobs to Alleviate Poverty

In his address in a joint session of congress, US president Barack Obama (2011) stated, 'we have to start building an economy that creates good, middle-class jobs that pay well, offer security and lasts into the future'. Creating decent jobs are one of the best options to fight against poverty but for developing countries the process of creating decent jobs is not that easy because of their quickly increasing population growth and feeble economic situations. Still with some strategic interventions it might be the best possible way to start the fight against poverty.

Decent job will empower poor people to use their full capabilities which will convert them to more effective human resources. It will provide poor women a strong fall back mechanism, they will be abler to use their agencies and to come out from an individual level of poverty and intra-household inequalities. Decent job creation will also ensure the quality and security of jobs that will help poor people to invest more one their consumption and future security like having nutritious food, attaining better health care and sending their children to school will that end up the 'intergenerational cycle of poverty' (Rose & Dyer, 2008, p. 7). It will also contribute to a rapid decrease in child mortality because of developed health and education system which will eventually lead to a lower fertility situation that will lead to a lower 'dependency ratio' and lessen the surplus supply of workers over time (Khan, 2007, p. 14).

The Dark Sides of Decent Job Creation Approach

Creating decent jobs will undoubtedly shift the economic momentum of poor people to a better life standard but at the same time this approach has some drawbacks as well. If government fails to monitor the farms those are supposed to create decent job opportunities for poor, they might start acting autocratic as in developing countries there are bulk supply of workers; for more benefit they might decrease the facilities enjoyed by workers. As we know poverty is much more individual than communal, the existing social contexts play a vital role to determine the access to jobs for individuals. Restriction of mobility for women in some societies, physical security, meeting reproductive obligations and more over glass ceiling effect could made it harder for women to enjoy full benefit of decent jobs.

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Alleviating Poverty Through Micro-Enterprise

In this era of neoliberalism and globalization, state initiatives on poverty reduction are being squeezed and more market oriented initiatives are coming out to draw poor people out from the vicious cycle of poverty. To establish micro-enterprises in developing countries, people are generally dependent on loans from moneylenders or mainly on various non-government organizations, as they have comparatively least interest rate. On the other hand, these NGOs are creating new social vocabularies but subjecting people by including them in various socio-economic endeavours (Karim, 2008). Yet, micro-enterprises play important role in rotation of capital in the market and besides they create some job opportunities as well.

The Possibilities of Alleviating Poverty Through Micro-Enterprise

If implemented efficiently, micro-enterprises can play effective roles to help people fighting sheer poverty. An established micro-enterprise can create several additional job opportunities. As micro-enterprises needs less labour and are structurally less complicated, poor women can play a great role in micro-enterprises to reduce their individual as well as family poverty. Poor women can get loans from different NGOs or government organizations to start on their own. As Vandenberg (2006) argues if they create employment, maintain certain job quality and provide cheap goods and services to poor than micro-enterprises can play a great role to alleviate poverty. Besides if governments help them by creating new market opportunities, duty free quotas to export products, control the influences of middlemen, provide easy loans with capacity building trainings and ensure proper monitoring then micro-enterprises will have a great possibility to flourish and help to alleviate poverty.

The Dark Sides of Micro-Enterprise Approach

Though micro-enterprises have great potentialities to eradicate poverty it needs certain criteria's to be fulfilled which sometimes linger the process of poverty alleviation. Developing micro-enterprises depends on access to some vital resources like capital, loan, market, training etc. Sometimes access to credit and market becomes too hard for poor people, especially for women because of existing capitalist and patriarchal societal structure that solely focused on rapid profit maximization and women's subjugation. In many of self-help groups for microcredit it is seen that poor women are left out from groups by other members as they have least chances to repay the loans in time (Selinger, 2008). Besides for women, having control over profits and decision making power regarding use of loans and reinvesting profit are also major area of concern. According to available data on microcredit based NGOs, women are the major beneficiaries of such loans but in practice '95 per cent of these loans' are handled by the male members of the recipient women's families (Karim, 2008, p. 15). Concise and congested loan repayment time, and unstable market condition makes people vulnerable to these NGOs so that it increases instances of insufficient economic returns to micro-enterprise owners and leads to poor job condition, lack of physical and job security, increasing risks and lacks negotiation and collaboration among workers (Vandenberg, 2006).

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IS DECENT JOB CREATION THROUGH URBAN LABOR MARKET DEREGULATION THE RIGHT CHOICE?

Deregulation is an economic strategy that targets to eliminate the regulating authorities of labour market like state, labour organizations, trade unions etc. and decrease the interference of legal aspects within the relationship between companies and individual personnel to a minimum level with a massive decline in the instances of collective bargaining (Eurofound, 2007). Urban labour market deregulation has been one of the most noteworthy financial policy changes in recent past, especially the removal of government regulations and principles (Peoples, 1998). Specifically most of the organizations supporting deregulation propose steps like eliminating or moderating legal restrictions enacted on setting up tough conditions in labour contracts; moderating legal restrictions on discharges and layoff; decentralizing or abolishing collective bargaining over wages, and/or to reach consent with trade unions, workers councils or other organizations of workers; withdrawal of the governmental decision of statutory minimum remuneration or keeping it on very low level; moderating legal protection of trade unions etc. (Dymarski, 2008).

The positive sides of labour market deregulations according to Chant (2013) are like: unrestrictive guidelines can encourage entrepreneurial initiatives; deregulation can possibly inspire increasing investment and increase in employment opportunities; poor people are expected to be benefitted because deregulated job market will not encourage credentialism as age-fixing in regulated labour markets do; moderate limitations and out-sourcing opportunities may lead to more income earning opportunities for women i.e. in work intensive export processing zones, as industrial homeworkers etc. On the other hand Chant (2013) also points outs some negative sides of urban labour market deregulations like: in global competitive markets deregulation allows companies to impose lower remuneration and poor working environment on workers; urban labour market deregulation sometimes can't help to offset market failures and increase productivity; deregulation most of the times end-up favouring rich rather than poor; empirical evidence show that deregulation in Mexico led to fewer employment opportunities and poor wage structures.

It's true that labour market deregulation makes it easy for different firms to enter into market and creates ample employment opportunities for poor people especially women. Moreover, because these newly created work opportunities women become able to come out of domestic sphere, join work force and for the first time in their life become able to earn on their own but most of those jobs are low and and/or in an informal sector. Besides as these is no government regulation on minimum wage and even any central body for collective bargaining on wage is absent most of these jobs are severely ill paid. In last few years the presumed positive influence of labour market deregulations on jobs and economic performances has come to face various questions. The major problem is when the main goal of deregulation is to remove all types of control over the employers, how do one decide whether or not various employers are using such deregulations for the wellbeing of the deprived people. The answer totally depends on the conscious actions taken by employers for welfare of workers.

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CONCLUSION

The comparison between the characteristics of decent job creation and developing micro-enterprise denotes decent job creation as more feasible and rapid way to alleviate existing poverty situation that needs to be supported by urban labour market deregulation. Deregulating urban labour market have some unique effects but the question is who will enjoy its privileges and who will face the adversities. Starting fresh or developing any existing micro-enterprise needs time and increasing access to capitals, while encouraging micro-enterprises through microcredit interventions are too slow to grow and are unable to create many jobs (Eberhart, 2012). So creating decent job opportunities by deregulating urban labour market and through capacity building initiatives for poor people, attracting private investors to start their operations and creating monitoring cells in order to ensure workers' rights at work, productive and remunerative employment, social protection and social dialogue (Vandenberg, 2006) will be easier for governments, will ensure decent jobs for poor and help them to better their lifestyles while alleviating themselves from poverty.

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Chapter 13
A National Crisis and a Call to Action:
Preparing Teachers to Teach Children From Poverty

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ABSTRACT

Well over 16,000,000 children live in poverty in the United States. One of the widest achievement gaps in education today exists between children from lower and upper income families. Our nation's teachers are woefully unprepared to work with children from poverty and the current soaring poverty rate is serving to exacerbate an already bad situation into a major educational crisis. Considerable dispute exists between and among differing approaches related to identifying an optimum way of perceiving and working with children of poverty, but the literature is clear that high quality professional development programs are critical for preparing teachers to work with these students. This chapter describes a program for preparing teachers to work with children of poverty that could be adapted for use in both preservice programs and also as professional development.

INTRODUCTION

Emphasis on student achievement and accountability measures for teachers and schools have both been under intense scrutiny since the No Child Left Behind Legislation of 2001 was enacted, and this emphasis continues to grow as calls for even stricter standards and accountability mount. Coupled with the demands for improved student achievement, there has been a concurrent rise in the number of children living in poverty in America. The national economic decline that began in 2008 has increased the number of public school children who are struggling to survive in poor economic conditions while, simultaneously,

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more is being expected of them academically. This has created an almost unbearable level of stress for the students, their parents, and the teachers in our schools.

The numbers are staggering. Well over 16,000,000 children live in poverty in the United States and this number is continually rising. There were an estimated 16.1 million children living in poverty in 2012. That number rose to 16.7 million in 2013. Accurate numbers for 2014 are not yet available, but the number is expected to rise. Nationally, this represents approximately 23% of all school-aged children from 5-17 years old who struggle to survive in poverty; this is an amount higher than any other industrialized nation in the world. Much higher rates of poverty can be found in local areas or counties across the country. It is not uncommon to find counties with poverty rates over 30% and some even approaching 50%. When these numbers are drilled down even further to a school level, there are some schools across our country that are faced with a nearly 100% poverty rate. This poses incredible difficulties for the children, obviously, but it also poses significant challenges for the teachers who are charged with educating them.

Adding to the problem, research has shown that schools and teachers have not historically worked well with children from poverty (Barr & Parrett, 2007). This could be due in large part to the fact that institutions of teacher education have not prepared them to do so. Training on working with children of poverty is largely absent in most teacher training programs (Jennings, 2007). Jennings found most teacher preparation programs focus on diversity in terms of race/ethnicity (46%), special needs (34%), and language (18%). Social class received a mere 2% of the overall emphasis. Future teachers are not being prepared to work with these children. Professional development for in-service teachers is also sorely lacking in this area. Therefore, our nation's teachers, as a whole, are woefully unprepared to work with children from poverty and the current soaring poverty rate is serving to exacerbate an already bad situation into a major educational crisis.

Not only is very little time devoted in teacher preparation programs across the country to understanding the unique needs of children in poverty, even less time is devoted on teaching future teachers how to teach children of poverty. While understanding and empathy of the needs and struggles of students are an important piece of the puzzle, it is only the first piece, yet this is where what little training teachers get ends. Teachers need concrete methods and strategies that will work for reaching these students and supporting them in their enterprise of learning. They need to understand their situation and how to support them, not merely feel empathy for them. There is no magic bullet, but our teacher preparation programs could do more to prepare future teachers for educating these children that will likely make up at least a quarter of their future teachers' classrooms. We know more than ever before about the needs of these children and ways in which they could be encouraged and supported, but that information is not making it into the field of practice. Teachers should not have to be on the front line trying to figure out on their own how to help these students. Our country's schools need a plan of action to address this crisis. It is a moral, professional, and educational imperative that both universities and teacher professional development programs do a better job of preparing our future teachers to meet this demand and prepare teachers who can help these children succeed and break through the struggles of poverty. It is possible for children to overcome the odds and rise out of poverty; but it is far too uncommon that this actually becomes a reality. Research has demonstrated that students from high poverty schools can perform well if their unique educational needs are addressed (Kannapel & Clements, 2005; Pogrow, 2009). The literature is clear that high quality professional development programs are critical for preparing teachers to work with these students and that students from even the most difficult of circumstances can achieve academically if given the proper supports (Simon & Izuni, 2003).

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The intent of this chapter is twofold. First, the authors aim to offer a new perspective on how we understand children of poverty. This perspective is offered as a framework for teacher preparation programs and for professional development opportunities. The literature is largely opposing in its views of children and families of poverty, advocating either a deficit perspective or an asset perspective. The authors share a more inclusive and realistic, yet complex, view that incorporates the challenges, as well as the strengths, that children of poverty may experience. This model seeks to capture the complexities of what poverty really means and the different ways in which it may be experienced, thus creating unique needs, challenges, and assets depending on each child's unique situation. The second goal of this chapter is to synthesize and share what is known about the academic effects of poverty and the ways research has shown that children of poverty may be supported and encouraged to achieve academically. To those ends, this chapter culminates in a description of an educational and informational program for teachers that could be adapted for use in both pre-service programs and in professional development opportunities for practicing teachers already struggling to meet the needs of their students. Finally, it is also hoped that this chapter sparks a national discussion on the importance of preparing teachers to work with children of poverty and encourages universities to make this a priority in their respective teacher education programs.

Defining Poverty

According to the U.S. Department of Health and Human Services, the poverty threshold for a family of four is $23,550, the number deemed as less than half the amount required to adequately cover basic expenses. This figure represents almost 25% of school-aged children. Of the nearly 25% of school aged children living in poverty, 10% of them live in deep poverty meaning their family lives on less than half of the figure determined to meet the poverty threshold for their family size (Annie Casey Foundation, 2015). Since the poverty threshold is defined as half the amount of income needed to meet adequate living expenses, this means that an even higher number of families are living in significantly difficult financial situations in which they do not have the resources to provide an adequate living for their family, and, although they may not meet the federal definition of poverty, they are in fact living without adequate resources, food, health care, and income. Therefore, astonishingly, the number of children living in dire financial situations in the United States of America is actually approaching 50% nationally (Addy, Englehardt, & Skinner, 2013), nearly half of all our nation's public school children!

Poverty's Effect on Academic Achievement

The effects of poverty on academic achievement have been widely researched and duly noted. There is no disagreement on the fact that high poverty rates drastically impact school achievement, which, in turn, perpetuates the problem of persistent poverty. In fact, poverty accounts for one of the widest achievement gaps in education today. Students from low-income homes consistently score far below average regardless of their race or ethnicity (Bergeson, 2006). Children from poor homes come to school already behind in skills and these gaps persist, and sometimes even grow, as the children move through school (Fryer & Levitt, 2004).

In 2001, the United States Department of Education reported on a study they had conducted with 71 high poverty schools and found that low income students in third through fifth grade scored below norms

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on achievement tests every year in every grade. Additionally, according to the National Assessment of Educational Progress (NAEP), the achievement gap in reading between eighth grade students from low socioeconomic levels vs. children from middle or upper class families is typically around 34 points on a 500 point scale, and the achievement gap in math is around 38 points. This lack of achievement makes higher education difficult, if not impossible, for some. Since the lack of a higher education is one of the strongest predictors for living a life of poverty, our schools and universities are sadly failing our poorest students in helping them break the bonds of poverty.

Given this lack of academic achievement, not surprisingly, only about 28% of high school graduates from high-poverty schools attend four-year colleges after graduation, compared with 52% of high school graduates from low-poverty schools. Ratcliffe and McKernan (2012) found that parents' educational attainment at the time of their child's birth had the strongest influence on whether or not their child would experience persistent childhood poverty. This supports earlier research conducted by Peters and Mullis (1997) where they found that the parents' educational attainment had a significant effect on academic achievement while other studies have shown that a mother's education level has a more significant impact on children's academic achievement than income (Lacour & Tissington, 2011). It behooves our nation then, as a whole, to find a way to help these children stay in school and get an education if there is ever a hope of alleviating this crushing crisis of poverty.

As stated earlier, the research on the deleterious effects of poverty on academic achievement have been widely published and are well understood. What is less understood is the reason why poverty has this effect. Researchers have tried over the years to uncover the challenges faced by children living in poverty and to suggest ways in which to mediate their harmful influence. It has been posited that a lack of resources plays a major role, such as less funding for poor schools and lower teacher salaries (Carey, 2005; Karoly, 2001). Lack of access to high quality teachers and adequate school grounds and buildings have been noted (Barton, 2004). Lack of parental education, parental support, less reading aloud by parents, fewer cultural and extracurricular experiences, and larger class sizes have all been found to be contributing factors to poor children's lack of academic achievement (Halpern-Felscher et al., 1997; Peters & Mullis, 1997; Zill et al, 1995).

What has received less attention is the role of trauma and/or chronic stress often experienced by poor children and the effect it has on a child's brain. Children growing up in poverty are often exposed to a host of traumatic events such domestic violence, neglect or abuse, insecurities in maintaining housing and availability of food, or poor health. Poverty, especially when experienced early in life, has long been known to be indicative of behavioral and academic problems, but a burgeoning in the field of neuroscience is giving us ways to help us understand why this is the case.

Chronic stress in young children causes actual changes in the structure and function of the brain creating a "weak foundation for later learning, behavior, and health" (Shonkoff et al, 2012) as these changes are permanent. These structural and functional changes occur in the amygdala of the brain, which is the area of the brain that controls an individual's use of executive functions. Executive functions include such things as our ability to pay attention, to control impulsivity, to be in control of our emotional reactions, and to plan and organize. Children with deficits in these areas are often identified as having Attention Deficit Hyperactivity Disorder (ADHD). There has been much discussion in recent years about the rising number of children being identified as having ADHD. It is possible that this increase in the number of children with ADHD may be due at least in part to the rising number of children living through the stressors and traumas brought on by growing up in poverty.

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Neuroscientists are working to learn more about the connection between poverty and chronic stress and their impact on executive function. Evans and Schamberg (2009) found that chronic stress is a factor in the relationship of childhood poverty and lower levels of working memory. Farrah, Noble, and Hurt (2005) similarly found that chronic stress impacts working memory and also found negative impacts on language development. Research conducted by Evans and Fuller-Rowell (2013) took these earlier research studies a step further by studying the self-regulatory abilities of children from poverty. They found that the greater a child's ability is to self-regulate, the less harmful the effects of chronic stress caused by poverty are on the child, thereby limiting the negative impact on working memory. When a child is able to self regulate, he is able to "maintain emotional and behavioral self-control necessary for goal-directed behavior in the face of competing social or physical demands" (Evans & Fuller-Rowell, 2013). The ability to self regulate may explain why some children can "overcome" their difficult station in life while others seem to struggle or even succumb.

Although growing up in poverty has extremely debilitating and potentially life-long effects, a life of continued poverty and hardships does not have to be a child's destiny. Decades of research, theoretical underpinnings, and professional practice experiences have led us to where we are in our understanding today of teaching children of poverty. Newer technological advances used in neuroscientific studies are allowing us to advance even further our understandings of the struggles and challenges poor children face daily, but they are also giving us new ways to think about helping them. The next section of this chapter looks at some of the current approaches, both theoretical and practical, to understanding and working with children of poverty. The authors provide a critical analysis of those approaches.

Theoretical and Practical Considerations

A challenge associated with examining current views about children in poverty is that of distilling elements from a very diverse matrix. Much of the classic and contemporary literature on this subject relates to what is commonly known as the deficit theory in which those in poverty are appraised with what Dudley-Marling (2007) refers to as a deficit gaze. In short, this orientation considers low-income students as suffering from a lack of experience resulting in a problematic position for school success. Dudley-Marling (2007) points out that the deficit view was strengthened by such concepts as the "War on Poverty" waged by Lyndon Johnson in the sixties, as well as by the work in the late 1960s of investigators such as Bereiter and Engelmann who held the belief that the lives of poor children were deficient in opportunities that support school success. From the deficit perspective, the experiential dearth of children in poverty needs to be fixed, so that they can accede to a position from which they can achieve in school settings.

In large measure, the examination of conceptions of low-income circumstances reveals a somewhat binary situation, as the principal positions are at opposite ends of a continuum. The deficit position, as described, views those in poverty as being debilitated by negatives, or lacks, that place them at a predictable disadvantage when compared with students from middle class backgrounds. At the opposite and more positive end of that scale is a position that describes poor children as having experiences that are different, but not deficient. Referred to as the "funds of knowledge" position (Moll, Amanti, Neff, & Gonzalez, 1992), this view asserts that there is richness in the experiences of poor children that can be used to educational advantage if curriculum, instruction and assessment are designed to engage rather than ignore them. In this view, the challenge for educators is to acknowledge and integrate the cultural

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knowledge and experience of poor children, so that classroom learning can be supported by associations that are familiar and understood by the children.

Between the polar orientations of deficit theories and the funds of knowledge positions are a number of additional theories that espouse more intermediate interpretations and positions on the continuum. Beegle (2012) has enumerated and described several principle theories that address the conceptualization of poverty and potential ameliorative strategies. One such theory shares the central emphasis of discovering and acknowledging strengths. The *Strengths Perspective Approach* encourages teachers to find the strengths and skills that students possess and voice appreciation of these qualities. In addition, teachers are to find ways to have students make helpful contributions to the collective work, so that they can feel connected, important, and wanted. In a related conceptualization, *Resiliency Theory* asserts that when people receive praise for their strengths, they develop resilience. Also related is *Asset Theory* in which teachers assess the strengths of students, but go beyond this step by deducing what services they need to move forward. By building associations with community resources, teachers assist in finding needed services as well as the navigation of necessary steps and paperwork to make the connection work.

Additionally, Beegle (2012) considers *Social Capital Theory.* A principal tenet of this theory asserts that poor people increase their chances for success if they know and trust people who are in a position to help them. In particular, people who have escaped poverty through education are seen as very valuable support systems. *Faulty Attribution Theory,* on the other hand, describes the need for avoiding the assessment of the motives of others without knowing the reasons for their behavior, and for recognizing that one's own experience and perspective may be dissimilar from those of others.

Other theoretical orientations take a more comprehensive view of how experiences interact with development, including Bronfenbrenner's Ecological Systems Theory (1994) in which a series of nested spheres describe various influences on a child's development. Bronfenbrenner argued that accounting for the entire context of a child was necessary in order to understand development, and that economic deprivation could hold a prominent place in affecting socio-emotional development in a negative way. Recent research in neuroscience is proving him correct. Poverty is not a disease that affects the brain, but it is a situation that causes environmental influences that may impact the brain and the ensuing development. Researchers have studied the concept of cumulative risk and the impact it has on a child's development. Cumulative risk means simply the additive nature of multiple risk factors over a length of time (Gassman-Pines & Yoshikawa, 2006). The more risk factors present, the higher the likelihood for negative impacts on behavior and cognitive development up to and including psychiatric disorders (Ackerman, Izard, Schoff, Youngstron, & Koggs, J.,1999; Sameroff, Bartko, Baldwin, Baldwin, & Siefer, 1998; Rutter & Quinton, 1977).

It is not difficult to recognize the divergence of beliefs associated with multiple conceptualizations of poverty and their educational concomitants. Educators must anticipate that this divergence will continue to engender considerable debate about the merits of various positions, as well as the appropriateness of assorted approaches to improving student outcomes. Confusion is exacerbated by the potential of misunderstandings at various levels. Even more problematic, Beegle (2012) points out that the most prominent teacher about poverty in America is the media, and that institutions of higher learning produce graduates who operate on false concepts about it. In particular, there is no consensus or consistence in teacher education programs about how poverty is understood or how teachers can help.

The dissatisfaction with current conceptions for understanding poverty and for supporting low-income learners is obvious in the literature. Irizarry (2009) argues that the deficit model that is disseminated so widely in educational research does nothing more than to perpetuate negative stereotypes. Others, such as

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Dudley-Marling (2007), assert that some influential studies are flawed with respect to ethnographic bias and can suggest that poverty is only a black problem. Although blacks and Latinos are disproportionately poor, the U.S. Census of 2012 showed that only 25.4% of Americans in poverty were black while 41.5% were white (not Hispanic). And still other researchers have gone further and asserted that teachers are being miseducated by the media and even some of the research literature. Bomer et al. (2008) made such a claim by implicating the contribution of Ruby Payne, *A Framework for Understanding Poverty*, in just such a way.

In the landscape of all the varying conceptualizations and approaches to understanding the needs of children of poverty, some models, or frameworks, have drawn more attention than others. One such example is the offering of Ruby Payne who espoused a view of poverty that has influenced many in school practice. As a former middle school principal, Ms. Payne is the author of a popular self-published book. In addition, she offers workshops and conducts speaking engagements in which her framework is described for the consideration of teachers and administrators. Her work has had a wide reach within the educational arena, and since her work promotes a deficit view of children of poverty, her work has also served to support negative stereotypes and to promote the idea that children of poverty all experience poverty in the same way with the same deleterious effects and have little to no positive supports in place.

Dudley-Marling (2007) characterizes Payne's body of information as representing a strong deficit perspective surrounding a central tenet known as the culture of poverty. Payne asserts that low-income children must deal with a dearth of experiences, and that they must learn to function within the "hidden rules" that society imposes. Gorski (2008) points out that actual researchers agree that there is no culture of poverty, as posed by Oscar Lewis in 1961, and embraced by Ms. Payne. In fact, he emphasizes, differences in values and behaviors among the poor are just as numerous as they are between the poor and the wealthy. He continues on to support a concept similar to one from the *Faulty Attribution Theory* by cautioning that educators must examine how their own class biases affect their expectations for their students.

While some may see the deficit position of Payne's offerings as problematic with its deficit point of view, a more compelling argument derives from a scholarly scrutiny of her framework by Bomer et al (2008). In this analysis, the authors contend that Payne's assertions are both flawed and contradictory in a number of significant aspects. At the forefront of their concerns are Payne's citations about research that are incorrect, erroneous, and even contradictory. The fact that the ongoing popularity of her training is doing a disservice both to the educators who are influenced by it, and to the children whom they will, and do work, is of utmost concern.

This extreme deficit view of children and families of poverty such as what Ms. Payne espouses not only does them a great disservice, but it is factually incorrect in many areas. It overlooks any strengths or positives that are experienced by families in poverty and perpetuates these negative stereotypes in the wider culture. As Valladares and Moore (2009) reported in their work on the strengths of poor families, many of the beliefs that are held about the values and experiences of lower income homes are merely stereotypes and are fundamentally untrue. For example, they found not only that children from low-income homes attend religious services as often as those from higher income homes, but that children in poor families are actually more likely than children from higher income homes to eat a family dinner together. Family meal time has been shown to be very important to the well being of a child so, in this area, low income families and their children actually have an advantage over higher income families.

Furthermore, low-income parents reported very close relationships with their children and affirmed their belief in the true value of an education as well as their belief in the importance of being involved in

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their children's learning (Valladares & Moore, 2009). These are not often the ways in which we think of a low-income family due to the proliferation of the deficit views in the media, the research literature, and within the practice of teaching. The past few decades' worth of discussions of cultures of poverty have done much to perpetuate the negative stereotypes and not enough to focus on these children's strengths and potentials and the ways in which teachers can work with them to help them succeed.

Practical Considerations. While theoretical positions on poverty provide a broad context for educational consideration, there is also substantial merit in examining the practical successes of classroom customs on the lives of low-income students. Johnson (2013) describes six principles of effective work with children of poverty by deriving essentials from her own escape from that status through education. She notes that poor children still have hopes and dreams of succeeding. In particular she stresses that relationships at school are at the forefront of success, and that making connections with, and validating each child, is essential. In addition, she recommends having high standards for all students combined with culturally responsive lessons that keep students actively engaged. Interestingly, Beegle's (2012) research agrees with Johnson's emphasis on the central significance of developing relationships with students. He cites mentoring as the overarching element for success with children in poverty. Deriving practical suggestions from a group of theories, she recommends emphasizing student strengths, connecting students to people who have benefitted from education, and helping to navigate systems so that connections can be made with needed resources.

Calls for active learning are not new in the literature and are also found in suggestions for supporting children of poverty. Decades ago, Haberman (1991) argued that the typical teaching strategies with low-income students in American schools were a failure and represented a pedagogy of poverty. He recommended a different approach that not only used inquiry to promote active learning, but that also provided opportunities for students to assist in planning educational activities and reflecting about them. Many of his suggestions appear akin to Montessorian notions about employing student interests and student assistance in creating plans of study with elements of journaling for reflection.

While not all practical examples derive directly from a theoretical perspective, they beg the question of whether or not any single orientation is complete and correct, or whether a constellation of considerations might provide a more comprehensive and flexible approach to working with children in poverty. One issue that seems to make flexibility a requirement is the fact that poverty is not a single condition. Beegle (2012) identifies four types of poverty; generational, situational, working class, and immigrant, all of which share the condition of low income, but which differ in other salient characteristics. For example, generational poverty is characterized by families with high illiteracy rates who don't know many others who have benefitted from education or who have moved up in employment. Working-class poverty includes those who are employed, but live from one paycheck to the next with no money for extras. Immigrant poverty is described as creating language and culture barriers, but is also characterized by members with a stronger sense of self than is present among those born into poverty in the United States Situational poverty arises from a critical situation such as job or income loss; however, the poverty is often abated when the situation resolves. It would seem that an educational approach that considers this variability makes sense and is needed to better inform teachers, principals, researchers, future teachers, and policy makers.

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A New Paradigm for Understanding and Instruction

Paradigms, theories, or conceptual understandings are an important piece of any practical problem. The ways in which we understand things have a direct impact on our actions. The authors of this chapter are concerned with the current polar extremes described in the research literature concerning the needs of children of poverty. Buying into a culture of poverty at the least smacks of stereotyping and deficit thinking; at the worst it may unwittingly create a destiny for poor children. As we know, high expectations are important to students' success. Can we have high expectations if we truly believe our students live in a culture that will not allow them to be educated? That does not support education? That does not value education? Is this an easy way out to say that we can't make a difference because this is "just the way it is" because it is their culture?

On the other hand, while the authors do believe that all children can learn and that there is no singular "culture" of poverty, it would be irresponsible not to realize that children from low-income homes do face challenges and difficulties that middle and higher-level income children do not have to face. It would, furthermore, be unethical to ignore those challenges and not attempt to support those students who need the most support of all. The authors of this work concur with Moll et. al (1992) concerning the concept of funds of knowledge, but must also assert that there are challenges that also need to be addressed. No child is without strengths and potential and capabilities; and no child is without a struggle. However, children of poverty do have additional hurdles and challenges to address which teachers must take into consideration and accommodate. The next section of this chapter situates the authors' perspective on understanding the needs and strengths of children in poverty within the landscape of the current literature and also describes a model for classroom instruction to enhance the education of children from low-income homes.

A Fresh Look at Teaching Children in Poverty

The model described here supports the funds of knowledge position in recognizing that all children have learning experiences that can provide the foundation for further education and academic achievement. Truncating that foundation is what puts learners at a disadvantage since an important part of accessing and internalizing new knowledge requires linking it to that which is already known. At the same time, this model recognizes that children in poverty often have limited experience with the behaviors and language that align with success in school. It is not ethical or equitable to ignore the need to work toward developing those proficiencies, since they need to be able to operate successfully both at school and in their communities.

To put it simply, the school must adjust its strategies to include and build on the existing knowledge and culture of poor children; at the same time, they must help those children become conversant in the language, knowledge and culture of a wider world. This does not represent a value judgment about which cultures have greater merit. For example, Gee (2004) has argued that dialectic English is rich and complex. However, it is also asserted that it is irresponsible to fail in teaching all children what they need as the tools of success in a widening world. Standard English is expected in professional fields and it is educational malpractice not to prepare students for those opportunities.

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Gorski (2008) noted that teachers likely feel overwhelmed by the ills he described in the schools of low-income children, such as outdated materials and faculty who are not qualified. They may feel powerless to make a difference in the broad arena of school policy and educational legislation. However, teachers are much more likely to assume a leadership role in changing what they *can* change in their own classrooms. As Haberman (1991) has noted, effective teachers do not expect to change schools very much, but they are decent, non-judgmental people who do expect to win in their interactions with their students. It is to this end, that our work proposes a multi-pronged model that acknowledges the contributions of multiple positions on the continuum between deficit and asset, and then describes an integrated framework that can be employed both by schools and colleges of teacher education for the benefit of the low-income learner.

The CESPR Model for a New Generation of Teachers and Students

The remaining sections describe a model of professional development and teacher education, the CESPR Model, which can be replicated nationally to equip teachers to serve public school students living in poverty. See Figure 1. CESPR is an acronym which reflects the four basic components which this model asserts is necessary to effectively teach and support children from poverty. Those components are Cognitive Support, Emotional Engagement, Social Learning, and Positive Relationships. These will be described in more detail later. The CESPR model builds on known recommendations for working with children from poverty and also offers new insights.

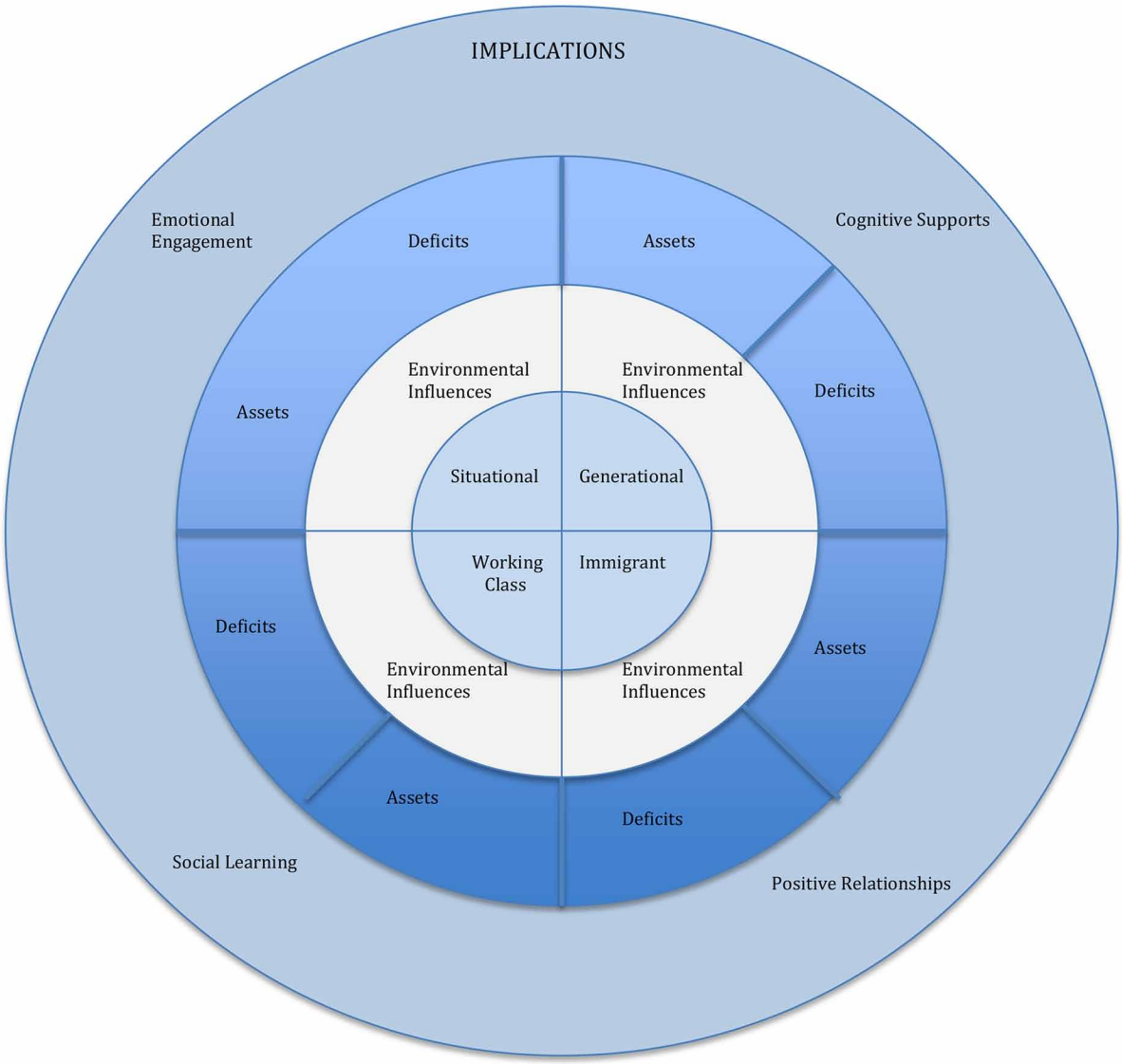
Two major concerns were noted in the literature on educating children of poverty: 1) the very polarizing views of the asset/deficit models, and, 2) the lack of a perspective or conceptualization that acknowledges the varying situational experiences of poverty. To that end, this model brings together what is depicted in the literature concerning both assets and deficiencies of children and families living in poverty with a more complex acknowledgment that the lived experience of poverty is not comprised of one "culture" applicable to all children in all classrooms and is, in fact, impacted by each child's specific situation that led them into poverty, along with such things as the child's environment, support systems, and educational needs.

At the center of this model are the four types of poverty children may be experiencing: a) situational, b) generational, c) working class, and, d) immigrant. Different kinds of poverty lead to different kinds of lived experiences, as depicted by the second ring of the model, environmental influences. However, it should be noted that these environmental influences are not specific to a particular type of poverty. This is where the authors' model veers from the culture of poverty myth. This model is presented as a ring to depict that situations, influences, environment, resources, etc. are not static and they are not limited to one type or group of people in poverty. If this model were moveable on this page, one could simply rotate the various rings of the model much like a knob to show that situations, environment, and resources are changeable and are as varied for people living in poverty as they are for those living in higher income homes.

For example, in general, children experiencing situational poverty have far fewer long-term and negative impacts from their poverty experience than children from generational poverty. Children experiencing situational poverty due to a parent's job loss or other loss of income experience temporary hardships from which they often rebound, whereas children from generational poverty are born into a life of poverty and experience the stressors and traumas that come with that in their very early years. This early exposure to poverty has been shown to have the most serious long-term effects on children

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Figure 1. The CESPR model of understanding and teaching children of poverty: cognitive supports, emotional engagement, social learning, and positive relationships



(Duncan & Brooks-Gunn, 1997). This type of poverty is also where one is most likely to find a child who has experienced the neurocognitive ramifications discussed earlier. However, might a child born into a middle class home, but who is experiencing situational poverty, be the victim of child abuse or an alcoholic father or some other trauma related to the stress of poverty that elevates her risk of long-term effects of poverty to that similar of a child born into generational poverty? Or, could a young mom from a family who has experienced generational poverty be raising her children differently from what she may have experienced growing up? Could she recognize the cycle and be determined to find a way to break it? The number of scenarios of lived experiences of children from poverty, as one can deduce from this very brief discussion here, is endless. There is no singular culture of poverty.

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The third ring of the model depicts the notion that every child and every family has certain assets and also experiences deficits. The authors would prefer the term 'challenges' to 'deficits,' but have chosen to use the term most widely found in the literature for the sake of clarity. These assets and deficits interact with environmental influences and the type of poverty to create the unique environment and culture that each child experiences.

Finally, the outermost ring represents the implications that the interaction of the first three rings of the model bear witness to in regards to classroom practices. In distilling the most salient and effective practices of working with children of poverty from the literature, there were four main categories of educational practices that offer the highest potential of support for children of poverty. They are: a) cognitive supports, b) emotional engagement, c) social learning opportunities, and, d) positive relationships.

Cognitive supports include the awareness that some children of poverty who have experienced either cumulative risk factors and/or stress and trauma related to poverty may have neurocognitive impairments that require support and accommodations in the classroom. As discussed earlier, children exposed to poverty early in life have a higher incidence of experiencing problems with working memory and self-regulation. Working memory is simply the amount of new material a learner can remember and think about at one time in a short-term period in order to learn, reason, and/or comprehend. It is a necessary first step toward moving information to long-term memory resulting in retention of learned material. Without an effective working memory, moving new information to long-term memory is much more difficult. Such instructional strategies as graphic organizers that aid chunking, prompting, cueing, support with note-taking, etc. may reduce the cognitive load and support a child who has challenges with working memory.

Another area in which children of poverty may need cognitive supports is in their ability to self-regulate. Self-regulation means a child has the ability to control his thoughts, emotions, and behaviors (Blair & Diamond, 2008). The development of self-regulation skills is a developmental process so awareness of developmental appropriateness needs to be maintained; however, these skills can be taught and they can be learned. Some research has shown that a child's ability to self-regulate in their early years is even more indicative of academic success than IQ (Blair, 2002; Blair & Razza, 2007). Better self regulation skills not only offer the child the potential to achieve more academically, research has also found that the ability to self-regulate has a modulating influence on the negative effects of poverty itself (Evans & Fuller-Rowell, 2013).

The second major implication for classroom practice included in this model of educating poor children is for emotional engagement. This component is somewhat related to the need for cognitive supports because research has shown that children from poverty often have lived experiences that change the structure and function of their brain, as well as the way they may attend to information. Lower SES children tend to pay as much attention to irrelevant information as they do to pertinent information (D'Angiulli, Herdman, Stapells, and Hertzman, 2008). Additionally, the chronic stress in their lives tends to make their emotional memories more salient than content knowledge learned in school (Schibli & D'Angiulli, 2011). In much the same way as the structure and function of the brain are impacted in regard to working memory and executive function, chronic stress from poverty can also cause "changes in the emotional centers and circuitry of the brain which may result in higher emotional reactivity" (Schibli & D'Angiulli, 2011). All of this can be competing information for a child trying to learn in school. One way a teacher may attempt to command the benefits of emotional engagement in a classroom is to make instruction meaningful, engaging, and fun for the students. Opportunities for choices, reflection, inclusion of the arts

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in the curriculum, and highly engaging performance or authentic assessments are all ways to emotionally engage a child in the learning process. These are good instructional strategies for all students, but they are especially helpful for a child who may benefit from an attention to the emotional aspect of learning. Turning the high propensity for emotion from a chronically stressed child from a negative situation into a positive learning experience can only benefit the child.

The third implication for classroom practice in this model is the use of social learning opportunities. The concept of a theory of social learning was first espoused by Albert Bandura in 1977. His Social Learning Theory later became known as Social Cognitive Theory as he began to emphasize the role of cognitive factors such as attention and memory in his theory. Bandura's theory posits that much of what we learn is learned through observation and modeling. We observe others' behaviors and attitudes and then model those same behaviors, particularly if we see the person who is being observed rewarded in some way for their particular behavior. Social learning opportunities for students then, would include opportunities not only for observation and modeling, but for hands-on and creative ways of engaging the students in instructional opportunities such as cooperative learning groups, teams, and even mentors or buddies.

Finally, the fourth implication of this model for classroom practice is the need for positive relationships in teacher-student interactions as well as student-student interactions. The classroom climate and the establishment of a positive learning environment is perhaps the single most important piece to the foundation of a classroom. For children of poverty, this is even more important for them to have both positive self-expectations as well as positive affirmations from both teachers and peers. The quality of the teacher has been shown to be the most important factor in students' academic success. Teacher behaviors and attitudes are a large part of that.

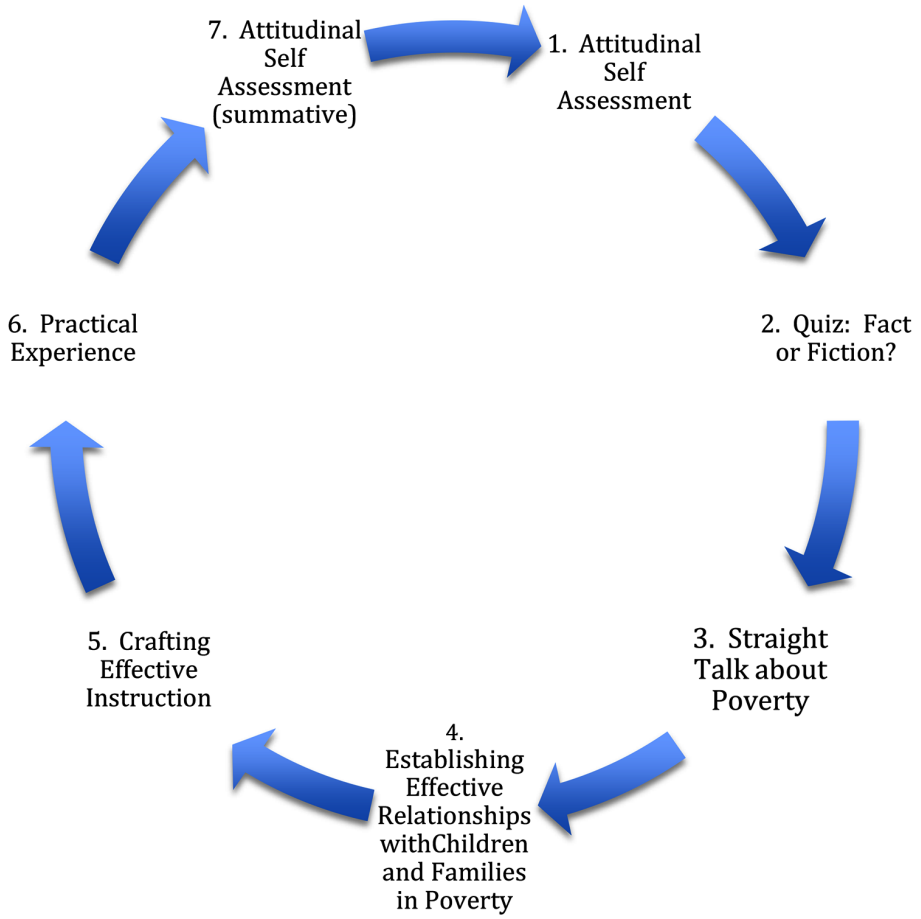
The next and final section of this chapter discusses a suggestion for a program of professional development that can be used in public schools as well as in teacher preparation programs to prepare teachers to work with children of poverty. This professional development program: a) helps the teacher determine their own personal lens through which they view children of poverty, b) describes the specific academic, social, and emotional needs of low-income children; c) helps increase the academic gains it is possible for low-income children to achieve by describing tangible ways to address these needs in the classroom; and, d) focuses on the importance of practical experiences to solidify the learning experienced in the program.

A Program of Professional Development and Teacher Education for a New Generation of Teachers Working With Children of Poverty

This professional development program for those who will serve children in poverty involves a cyclic approach with self-assessment as the initiation point, and a reprise of self-assessment as the termination point. As much of the literature cited here has pointed out, it is essential for educators to examine their own experiences, beliefs and potential biases in an honest and meaningful way as the foundation for designing effective relationships with, and instruction for, low-income students. The starting and ending points are the same irrespective of career position. It is identical for those who are teacher candidates and for those who are veteran teachers. Since the deficit perspective that we have described may play a role in teacher beliefs about the poor, particularly in the case of widely disseminated training such as that of Ruby Payne, it is critical to begin with a self assessment of already-held beliefs and perspectives. Consequently, this cycle of professional development places considerable emphasis on a self-assessment exercise as it works participants through the program. See Figure 2.

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Figure 2. Cycle of professional development



This model of professional development is a seven-phase process in which teacher attitudes and beliefs are examined, commonly believed myths about poverty are exposed, factual information is shared, types of poverty are analyzed, socio-emotional aspects of effective teaching are considered, effective teaching strategies are studied, and participants are given an opportunity to practice new attitudes and methods in a virtual practicum. Finally, the self-assessment is repeated as a means of measuring attitudinal changes and as a basis for professional reflection. Through a series of guiding documents, participants create a mini-portfolio they can refer to in future practice.

Phase One: Attitudinal Self-Assessment. Phase One involves taking a critical look at one's personal belief system with respect to children and families in poverty, and examining how those belief systems evolved. With growing numbers of poor children entering public schools, many teachers have had experiences with low income students, and many teachers have been influenced by media reports, their own environments, professional discourse, and informal ways in which attitudes about the poor can develop. While teacher candidates may not have direct experiences as yet with these students, they are just as likely to be persuaded to adopt unfounded beliefs from other sources.

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We recommend Beegle's (2012) thought-provoking questions that delve into the heart of these beliefs and their origins. Giving each participant an opportunity to consider these questions, answer them and then share perceptions with others can be a powerful beginning for changing the ways in which teachers perceive low-income children and families. We invite them to jot down answers to each and then share them with others in small groups. Specifically Beegle poses the following:

- What do you believe causes poverty?
- Where do your beliefs come from?
- Were they passed down from your parents?
- Did you learn them from your community?
- Do you have your own experience with poverty?
- How are your experiences and exposure to opportunities, while growing up, different than the students and families in poverty?
- Are you armed with relevant facts about poverty?
- Are you able to suspend judgment and understand people are making the best decisions possible from their perspective?
- Are you willing to assist students and families who may believe and respond differently than you?

Phase Two: Quiz – Fact or Fiction? In Phase Two, we move from inviting participants to examine their current beliefs and the origins of those beliefs, to assessing how much information and misinformation they currently possess about poverty. Beegle (2012) alleges that most people get their information from television and newspapers, and that colleges confer degrees on teacher candidates who do not understand how our current understanding of poverty has developed. Dudley-Marling (2007) points out that even those who have studied poverty are likely to be misled by studies such as that of Hart and Risley (1995) who examined a group of only six black welfare families, and, therefore suffered from ethnographic bias and insufficient data. Further, he notes that Payne's offerings reflect the worst stereotypes about the poor that have existed for generations.

In the quiz (Appendix A), we ask participants to respond to eight true/false items that characterize conditions a teacher might encounter in work with low-income students and families. Each quiz item reflects an accurate or inaccurate statement, derived from actual data and from teacher practices that have been effective with students in poverty. In addition to evaluating each item for veracity, participants are asked to provide a rationale or evidence for why they answered as they did. As a final open-ended feature, we ask those who got some of the answers wrong to express their reaction to being disabused of a misperception. On those occasions that someone gets the answers all correct, we ask them to provide information on how they learned what they needed to get them right.

Phase 3: Straight Talk about Poverty. In this stage, we present the participants with accurate factual information about the challenges children from poverty experience as well as the assets or strengths they may possess. We discuss the types of poverty experienced and how these types of poverty may impact learners in their classroom. Additionally, we divide participants into small groups with the assignment to read one of several articles relating to myths associated with poverty, including Gorski (2008), Irizzary (2009), and Beegle (2012). We have chosen these because they are both succinct and comprehensive in their purpose of debunking misinformation about poverty; however, many other existing and emerging

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resources would prove equally appropriate and could easily be substituted. Conversation ensues regarding the substance of the articles, and then each group shares their findings with the larger audience, with an emphasis on what beliefs they may have held at the outset of the exercise versus what they have learned from their reading. A personal reflection follows (Appendix C) in which teachers and candidates are encouraged to consider how new information will shape their beliefs and behaviors.

Phase 4: Establishing Effective Relationships with Children and Families in Poverty. In Phase 4, we redistribute the membership of the groups established in Phase 3, and ask participants to read and consider the Johnson (2013) article in which six effective practices for working with low-income children and families are showcased. Again, teachers and candidates are asked to discuss what they have learned in the reading, and then consider how they can connect with, and validate, low-income children and families. They follow this discussion with sharing ideas about agencies and services that can benefit poor children and families, and create an action plan to learn more about how to access needed services through an exercise guided by the document in Appendix D.

Phase 5: Crafting Effective Instruction. In this section, we share the CESPR model and discuss the four components that form its framework. The participants learn how to address the unique cognitive, social, and emotional, needs of their students as well as the importance of establishing positive relationships. We ask participants to build on this new knowledge as well as information from prior phases to develop some general strategies that they believe could make their professional practice with children in poverty more effective. In particular, they are asked to compare and contrast their current instructional strategies with new ones that could be more effective with low-income students by remaining in their groups, but completing the guided exercise in Appendix E personally. Following the recording of their ideas and plans, they are asked to share with group members, and then distill a list of changes that the group endorses.

Phase 6: Practical Experience. This phase may be implemented differently depending on the audience of participants. For preservice teachers, it will be of critical importance that a partnership between the public schools and universities be established so that pre-service teachers may have sustained involvement in a classroom or school of high poverty students. These practical experiences in the classroom ideally should be supervised by the professor and supported by university coursework with time and structured opportunities for reflection to allow the pre-service teachers to process what they are learning.

If this program is being offered as professional development for practicing teachers, participants may be asked to privately consider students in their own classrooms as they move through the program. In this last phase, they are also asked to consider several student biographies, and then develop specific instructional strategies for the low-income students identified. These student biographies can take the form of video presentations or written narratives, depending on the format and available facilities of the gathering. Once again, group membership is rotated, and teachers and candidates complete a guided exercise in which they record what they have learned from a student biography, how they would analyze the needs of that student, and how they believe they could respond by building effective relationships and instruction (Appendix F). Following completion, group members are asked to share their ideas.

Phase 7: Attitudinal Self-Assessment. The conclusion of this professional development cycle encourages participants to summarize and process the content and experience provided, and to synthesize how these elements can work together to impact future beliefs and practice. Finally, teachers and candidates are asked to develop a concise statement they might share with other educators whose belief systems appear to include those common myths exposed during the training.

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This chapter has focused on what is known and has been shared to date about teaching children from poverty with the intent of describing a professional development program that may potentially accomplish three main goals; a) begin to undo the decades of harm done by deficit views of children and families of poverty, 2) offer teachers accurate factual information about poverty and its effects on students, and, 3) offer teachers concrete, tangible ways of increasing the academic achievement of their students living in poverty. It is time for a perspective that offers a realistic view of the challenges children in poverty face, yet also breaks down deficit view stereotypes. The authors believe this new model offers such a perspective.

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APPENDIX

Phase 1 Quiz©

Table 1.

Statement	True or False? (T or F)	What Evidence Supports This View?
1. Teachers must modify standards for students in poverty, so that they can work at a lower, more appropriate level.		
2. Teachers need to maintain a business like attitude with low-income students so that order in the classroom can be preserved.		
3. Poor students' families do not value education as much as middle class families do.		
4. Children in poverty can come from all races, but the majority of them are black.		
5. Poor children are more likely to go to schools that are poorly equipped and have fewer qualified teachers.		
6. There is a "culture of poverty" that defines the shortcomings poor people share.		
7. Poor people are more likely to abuse drugs than other socioeconomic groups.		
8. People are in poverty because they don't want to work.		

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Table 2.

Question	True / False (T or F)
1	F
2	F
3	F
4	F
5	T
6	F
7	F
8	F

Phase 2 Answer Key©

Did you get any quiz items wrong? What is your reaction to that?

If you got them all right, please share how you came to possess the knowledge that helped you.

Phase 3: Straight Talk about Poverty©

See Table 3.

Table 3.

Prompt: In this section, you have been asked to consider your own beliefs versus some compelling information about common myths associated with poverty. Select one aspect of this consideration in which you feel your ideas were unfounded. Reflect about how this concept may have impacted your professional practice, and what you can as a teacher to respond to the new information.

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Table 4.

Prompt: In this section we have considered how to connect with poor children and families as well as how to assist in locating and accessing appropriate services. What are the agencies and/or services you know about, or have learned about in our discussion that could be of help in your practice? What more do you need to find out in order to help families to get the services they need? 1. Agency or Service Name & Location: What more do you need to know in order to make the connection for families? 2. Agency or Service Name & Location: What more do you need to know in order to make the connection for families? 3. Agency or Service Name & Location: What more do you need to know in order to make the connection for families? 4. What other ideas did your group generate that you can add to this list?

Phase 4: Establishing Effective Relationships with Children and Families in Poverty©

See Table 4.

Phase 5: Crafting Effective Instruction©

In this professional development, we have been asked to consider what many have found to be effective strategies for working with low-income students. In this section, consider what you currently do as well as modifications you might make to improve your practice.

Table 5.

How do you currently make connections with and validate students?	How might you modify current practices to be more effective?
How do you currently learn about a student's "fund of knowledge", and incorporate this in instruction?	How might you modify current practices to be more effective?
How do you currently involve social learning into instruction?	How might you modify current practices to be more effective?
How do you currently assess the strengths and challenges a student possesses?	How might you modify current practices to build more effectively on this assessment?

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Table 6.

Student's Name: Grade Level: What have you learned about the student's environment that will help you plan effective instruction? (Environmental Influences) What will you need to do to forge a trusting relationship with this student/family? (Emotional Engagement) What kind of poverty would apply in this case? What strengths does this student possess? How can you use those strengths to plan effective instruction? What challenges does this student face? What cognitive supports will this student need? How can you use this knowledge to plan effective instruction? What have you been able to learn about the student's interests? How can you use this knowledge to plan effective instruction, or, if your knowledge is insufficient, how can you expand it? How can you incorporate social learning into your plans for this student? What assessment techniques would be appropriate for this student? How can you reach out to this family with information about appropriate services? What would these services be? What would you want other professionals to know about working effectively with this student/family?

Phase 6: A Virtual Practicum

You have seen or read a student biography in which you learned about a low-income child's background and history. Take the information you have gathered to develop an action plan for this student's instruction, drawing on the perspectives you have encountered during this professional development.

Phase 7: Concluding Self-Assessment©

Table 7.

In this section we will put together a reflection that addresses how our views and ideas about students and families in poverty may have changed over the course of this professional development event. If you feel as though your views have changed, describe those changes here, and reflect upon how they may impact your future practice. What do you believe is the single biggest change in your way of thinking? What do you feel you still need to know about poverty and effective teaching? What can you say to other educators who espouse a strictly deficit view of children in poverty?

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Chapter 14
Measuring the Poverty of Elderly People With Needs Analysis in Turkey

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ABSTRACT

This study aimed to analyze the economic, social, and cultural needs of elderly people to determine the poverty thereof in Ankara (the capital city of Turkey). The economic, social, and cultural needs of individuals, which are among the indicators taken into consideration by United Nations Development Programme (UNDP) in measurement of human poverty index, were subject to research in measurement of poverty of elderly people. Face-to-face surveys were conducted with individuals over 65 years of age in the study, with 2.522 surveys qualified for evaluation. It was seen that the majority of elderly people were covered by social security. The elderly people reported their health to be good. They stated satisfaction regarding interindividual relationships with regard to social needs. However, it was concluded that the income of elderly people was not sufficient, and that they could not sufficiently afford electrical power and water invoices, medicine, food, and clothing expenses.

INTRODUCTION

In the old age, retirement results in a decrease in income, loss of usual social status, and an alteration in the relations and interactions. Besides, overlapping of losses that are manifest with such original problems as cognitive and physical recession, decline in productive role, change in social position, decrease in interpersonal support, and loss of health that emerge in this period results in poverty. As a notion, which is difficult to define and to determine the limits thereof, poverty has various aspects. Poverty is reflected to the lives of elderly people primarily "in the form of lack of income and productive resources sufficient to ensure sustainable livelihoods," along with "hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion. It is also characterized by a lack of participation in decision-making and in civil, social and cultural life"

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(World Summit for Social Development Programme of Action, UN). This study was inspired by both the limited number of scientific studies on poverty of elderly people, and by the fact that having foreseen the number of individuals over 65 years of age, who constitute the dependent population, would also increase in Turkey as it was the case throughout the world, the national and international institutions and organizations focused on initiatives to ensure healthy and successful aging by determining economic, social, and cultural needs of elderly people.

According to the Address Based Population Registration System (ADNKS) by the Turkish Statistical Institute (TUIK), the total population of Turkey is 76 million 667 thousand people (2013), composed of 50.2% (n=38.473.360) male, and 49.8% (n=38.194.504) female citizens. The median age in Turkey, which was 30.1 in 2012, increased to 30.4 in 2013. The median age of men and women were 29.8, and 31 respectively. The ratio of elderly people aging65 years and over was 7.3% in 2011 (n=5.490.715). The same ratio was 7.5%in 2012, and increased to 7.7% in 2013. Pursuant to the population projections, it is predicted that this ratio will increase to 10.2% in 2023, 20.8% in 2050, and 27.7% in 2075. In line with these ratios it can be asserted that Turkey has completed the mature population period and passed to elderly population period.

In this section, the level of ability of elderly people to meet economic, social, and cultural needs, which is among the indicators taken into consideration by United Nations Development Programme (UNDP) in measurement of human poverty index, will be analyzed. The scope of economic, social, and cultural needs can be explained as follows:

In the scope of the *economic needs*, the level of ability of elderly people to meet basic needs and life standards thereof will be determined so as to obtain information and measure awareness with regard to having economic/material resources along with their use and control.

In the scope of the *social needs*, data will be collected concerning the quality of relations and communication of elderly individuals with other family members, their permanent network of relations, also including friends, neighbors, and relatives, their interaction with this network of relations, intergeneration solidarity, social support systems, and confidence.

Finally, educational background, cultural values, habits, and whether the totality of the foregoing reflected concretely and objectively in the form of such documentation as diplomas etc., certain indicators regarding their lives in connection with the culture inherited from the family (age of marriage, last school of graduation etc.), social participation, and the ways of recreation will be determined in the scope of the *cultural needs*.

BACKGROUND

Having existed since the day human beings started to live together, poverty has been subject to a more intense debate especially after growth stalled in developed countries, people steered by the market, and increase underemployment during the foregoing process. Poverty at global and international level has macro reasons along with micro reasons specific to individual, family, and society (Oktik, 2008). The most important society-specific reason is inequality due to income distribution in a given country. Income differences between individuals, regions, and families living in the same city are considered the most important reason of poverty. Economic crises, inflation, and accordingly decrease in the purchasing power of individuals, difficulty or failure in meeting basic needs results in the fact that low-income individuals and families feel poverty deeply (Jehoel-Gijsbers & Vrooman, 2007). However, meeting

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basic needs at a sufficient level in accordance with the geographical location, the current conditions, and the standards of the social environment based on one's own opportunities are considered the purpose and a condition to subsist for each social individual. Meeting basic needs in accordance with the current condition and the standard of the society is a must for individuals to sustain a humane life (Yunus, 1999). At this point, in its simplest form, poverty is defined as the status of the inability to meet one's basic needs for a humane life by one's own means. Nevertheless, it is argued that having focused only on meeting basic needs, this definition is not sufficient to explain poverty. This is because of the fact that poverty also brings deprivation (Devicienti & Poggi, 2007; Özmete, 2011). Therefore there emerge two different approaches with regard to the definition of poverty adopted especially by social scientists: Absolute poverty and relative poverty.

"Absolute poverty is a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information" (World Summit for Social Development Programme of Action, UN). Absolute poverty definition is based on the basic conditions that should be sustained in order to subsist, i.e. to reinforce a physically healthy existence. In other words absolute poverty is defined as having little or no income in kind or in cash necessary for individual or household members to meet minimum basic needs to survive. In most developing countries, caloric intake and minimum calorie thresholds are used to assess hunger and nutrition and to construct poverty lines.

Relative poverty; each household's income, adjusted for family size, is compared to median income (The median is the "middle" income: half of people have more than the median and half have less). Those with less than 60 per cent of median income are classified as poor. This 'poverty line' is the agreed international measure used throughout the European Union (Zastrow, 2008). Absolute poverty is the complete lack of resources to sustain life, while relative poverty refers to the inadequate lack of income when compared to the average standards living. As such, relative poverty implies that the individual has the ability to sustain his or her basic needs, but may lack the resources to engage in various social activities. The World Development Report on Poverty by the World Bank, published in 1990, defined poverty as "the inability to attain a minimal standard of living" and considered poverty as the relation of a part of individuals in the society with life standard (World Bank, 1990, pp. 24-39). World Bank defines poverty as the inability of individuals and households to attain even the lowest life standards (World Bank, 2000).

In Turkey, Article 4 of the Regulation on Assistance in Cash and in Kind, by the Ministry of Family and Social Policies defined poverty as "the status of deprivation of insufficiency of income, riches, or revenue necessary to sustain one's own life, one's spouse and children, and parents, which the individual is obliged to look after, at a minimum level according to the current life conditions" (Ministry of Family and Social Policies). There are difficulties with explaining both the absolute and relative poverty. This is because of the fact that there are determinants especially of relative poverty, which varies from one individual to another, one family to another and one society to another. Standard considered necessary needs in a society may be perceived as luxury in another society. For instance, city water supply (usable clean water), regular vegetable and fruit consumption are considered basic need for a healthy life and those who cannot access the foregoing are defined as impoverished in the developed countries. However in many underdeveloped or developing countries, these details are not considered standards and poverty is not determined with respect to the existence or non-existence thereof. This is because of the fact that, while the societies develop and their life standards rise, the relative poverty understanding is also subject to change. Despite at the beginning of the industrialization process such items as refrigerators, washing

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machines, and telephones were perceived as luxury goods, today they are seen as necessities to actively engage with the life especially in the developed societies (Maxwell, 1999; Soyak, 2004; Şahin, 2010).

The increasing life expectancy phenomenon forces the people to have enough money to meet their needs in old age. Therefore the finance matter is vital for the elderly. With increasing life expectancy, people have to seek continuing wealth throughout their extended old age (DeVaney, 1995; Hogarth, 1991). This is because living longer will increase the chances of experiencing poverty and outliving available income and assets. Changes in work, health status, independence to dependence, and all these changes cannot be carried out without money. Thus, finance is vital for this group of older persons. The term "finance" refers to, how an individual manage his/her personal resources. It does mean that one knows what his financial resources are, and understand how the resources can best manage for him now and in the future. As elderly, individuals seek to improve the management of their economic resources and develop plans for strengthening their financial position in the future; a logical first step is to determine their present financial position. Financial status of elderly is able to picture the financial situations of an individual, how wealthy are they? How much money do they make? How much are their spending? What are their spending it on? To survive financially, they have to know whole of financial pictures. Financial behavior refers to the process people use in managing their financial resources to achieve financial success in the areas of retirement plans, financial planning, credit, and money management. Older persons are unable to sustain themselves and keep up with inflationary costs without depending on children and other family members. At the same time in older age some cultural, social and economic factors affect financial behavior of elderly people (Parsa, 2008).

The following items provide an overview of the different types of vulnerabilities faced by individuals at different points in older age, focusing on employment-related risks and vulnerabilities in terms of financial behavior (Bird, 2007).

- Loss of income when work is lost due to age discrimination frailty/illness etc.
- Work in informal sector throughout life means that there is no contributory pension provision.
- Poor health in later life due to poor nutrition, multiple childbirth, poor working environment and lack of health care.
- Continuing to work to support self and dependents in low-income earning and often physically disabled jobs.
- Widow's loss of access to late husband's family resources.
- Increased childcare responsibilities where middle age adults have been lost to HIV and AIDS leaving dependent children in the care of grandparents.
- Increased likelihood of age-related disability and chronic illness.

The argumentation above suggest that absolute poverty is not sufficient to define poverty, that relative deprivation should also be explained, and that poverty should be measured by more comprehensive components thereof. The generally used components of poverty are:

1. Income and consumption-based measures.

These could be any one or all of the following variables: Household or individual incomes and/or consumption; in total and/or per capita terms; unweighted and/or normalized for household demographics (equivalence scale adjusted)

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2. 'Human development' linked measures: The more commonly used indicators in this class relate to:
   a. **Health:** Life Expectancy; other mortality based indicators (age-specific mortality such as infant and child mortality, maternal mortality etc.); morbidity based indicators (such as Disability Adjusted Life Expectancy, incidence of chronic ailments etc.); health infrastructure based indicators (doctors/hospitals per 100,000 populations by location etc.).
   b. **Education:** Literacy rates, school enrolment ratio, and related indicators
   c. **Wages and Income-Earning Opportunities:** Household and individual incomes, nature and extent of labour market participation etc.
   d. **Infrastructure:** Community and household based; Physical (road, waterways, telecommunication networks per capita or per unit of land area); environmental (air and water pollution levels, availability of safe drinking water and sanitation, forest cover etc.); social (social capital, kinship network etc.), institutional (legal system, governance structures etc.) (Mukhopadyay & Shambhu, 2011).

Numerous studies analyzed poverty among the elderly (see Engelhardt & Gruber, 2004, Weir, Willis, & Sevak, 2004, McGarry & Schoeni, 2005, and Zaidi et al., 2006, for only a few recent examples). Most of these studies make use of income or expenditure data at the household level to count the number of individuals in poverty. As Deaton and Paxson (1998) indicate, this transition from households to individuals requires assumptions about the intra-household allocation of resources, about differences in needs and about the importance of economies of scale. Most of the analyses of elderly poverty ignore the issue of the intra-household distribution of resources by assuming that all individuals in a household are equally well off. The literature on intra-household allocation, though, convincingly demonstrated that resources are not equally shared within households (Cherchye, De Rock, & Vermeulen, 2008).

Taking into consideration measurements by income and consumption, one of the indicators to explain poverty in a society is without a doubt the income distribution. The issue of how to share the created values is related to distribution of equality, social justice, and freedom in society (Soyak, 2004). Despite it is observed that income distribution is more equitable and the range of inequality is narrower in governing processes, which put importance on social welfare and social justice, such factors as the unfair income distribution, decrease in national product per capita, consecutive economic crises, and failure of social and economic policies made poverty one of the prioritized issues both in the world and in Turkey (Buğra et al., 2003). The Human Development Report 2010 underlines the gap between women and men and the multidimensional poverty in South Asia and Africa based on long-term human development index. UNDP Coordinator Helen Clark stated on the basis of human development reports having been prepared each year since 1970 that; "There is much that countries can do to improve the quality of people's lives even under adverse circumstances. Many countries have made great gains in health and education despite only modest growth in income. Improvements are never automatic—they require political will, courageous leadership and the continuing commitment of the international community." (UNDP, 2010) Despite the improvements above, the report emphasized that about 1.75 billion people in the 104 countries were living in multidimensional poverty and that 1.44 billion people had to live on $1.25 a day or less (UNDP, 2010).

In Turkey the poverty rate was found to be 18.08% based on the poverty survey by TUIK in 2009. According to 2009 data, 0.48% of individuals, i.e. 339 thousand people, live under the hunger threshold based only on food expenses, and 18.8%, i.e. 12 million 751 thousand, live under poverty threshold based

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on food and non-food expenses. It was estimated that the rate of individuals living under the poverty threshold as defined to be $2.15 a day was 0.22%, and the rate of impoverished individuals is 4.35%, provided that the poverty threshold was defined to be $4.3. While the poverty rate in rural population increased from 34.62% in 2008 to 38.69% in 2009, the same rate in urban population decreased from 9.38% to 8.86% in the same period (TUIK, 2011a).

Here an important emphasis should be placed on the deprivations arising from poverty. Most commentators consider that it is when material and social deprivation arise from lack of financial resources that we observe poverty. 'Deprivation' implies that people have unmet needs. 'Needs' must be defined and agreed upon in some way, and as will be seen throughout this report, this is an element of poverty measurement that is controversial and often overlooked. 'Deprivation' too must be defined and measured – to what extent must a need remain unfulfilled to comprise 'deprivation'? For example we may all agree that food is a basic human need, but would a person living in the country on a diet of only bread and water, or just chick peas and rice, be deprived? Deprivation is a continuum it is the combination of all resources that determines whether a person's needs are fulfilled or whether they are deprived. One type of resource (eg help from adult children, or excellent money management skills) may substitute for lack of another (eg low income). Two people might have the same amount of money (income, assets and access to credit), and the same amount of money over time, but through differences in for example personal histories, knowledge and skills, family support, social or charitable support networks, ability to access help from the state, housing conditions or local costs of living, one might be materially and socially deprived and the other not (Price, 2008).

Taking into consideration the measurements regarding the human development, the report published by the General Directorate on the Status of Women (2008) provide significant data. Accordingly it was stated that UNDP measured human poverty in developing countries based on three criteria: Life expectancy at birth, depriving of a long life, is considered the first indication of poverty. In UNDP measurements, the reference life expectancy at birth value is 40 years, and a value below that is considered an element of human poverty. Illiteracy, or depriving of educational opportunities, constitutes the second indicator of human poverty index. The illiteracy rate among adults is another criterion of human poverty in measurements. Economic and social opportunities, i.e. deprivation of individual of economic and social means are other indicators of human poverty index (General Directorate on the Status of Women /KSGM, 2008). UNDP explains the level of having economic and social means in terms of the percentage of population without access to healthy drinking water, percentage of population without access to basic healthcare, and percentage of undernourished population under 5 years of age. "Human poverty index value" is calculated by an average of life expectancy, education, and economic and social means. In accordance therewith, In Turkey the life expectancy of citizens less than 40 years is 5.7% (2005-2010), percentage of illiterate population over 15 years of age is 11.3% (1999-2007), percentage of population without access to clean water supply is 3% (2006), and the percentage of children under 5 years of age, who are below normal weight is 4% (2000-2006) (Human Development Report/HDR, 2009). According to a research by the World Bank in 2001, especially the rural single parent families, with the spouse, on whose income the family relied to live on, was dead, multi-child families (especially those having girl children) with disabled or dead (during military service) spouse were under threat of extreme poverty. Other groups under risk or fit to category of in need of care included those recently migrated to cities and lived in squatter settlements and the elderly people without any social security (World Bank, 2000).

On the other hand, poverty affects women more than men, and aggravates the already existed gender problems. Despite legal and institutional protection, sexual inequality cannot be overcome and that

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women have gradually become the face of the poverty in the world. The reason for the foregoing is that women are employed in low status and low-wage jobs and that the free work they conduct at home as family labor is not included in the national income calculations (Daly, 1992; Fukuda-Parr, 1999; Bora, 2007). In order to measure the sexual inequality in terms of human development, UNDP developed the Gender Related Development Index based on three basic criteria: (i) average life expectancy, (ii) education (literacy in men and women, schooling rates in men and women), and (iii) average income level (share of women and men in the income). The aim of this index is primarily to reveal the sexual inequality in terms of human poverty along with human development. According to the said index, such countries as Canada, Norway, Australia, USA, Iceland, Switzerland, and Belgium rank the top among 143 countries in terms of sexual inequality. In these countries the sexual inequality is far lower compared to others in terms of human development. The countries with the worse sexual inequality rates are listed as Niger, Burkina Faso, and Ethiopia. Turkey ranks 68th in the list comprised of 143 countries (UNDP, 2011).

It is known that poverty is a result of income inequality. The fact that a large portion of the added value goes to a few people as a result of unequal distribution of income both in domestic and international scale, accounts for the inevitable poverty of those who can have only a quite low portion of the said value added. In fact, welfare in terms of abundance, development, and freedom, and extreme poverty and the phenomena of deprivation as a result thereof coexist today (Maxwell, 1999). The United Nations National Security Strategy Statement emphasized the prevention of poverty and that wealth was a right that should be accessed by everyone, through the statement that "a world, in which some live in comfort and prosperity, while others have to live on less than $2 a day is neither fair, nor balanced. It is an ethical responsibility to have the impoverished people in the world benefited from the developments and opportunities' (UNDP, 2011).

Elderly people constitute a group, which is closely affected by economic developments at micro and macro levels. Changes in money/income resources of elderly people also result in changes in their life styles (Hablemitoğlu & Özmete, 2010; Turaman, 2007). Economic aging underscores these changes in the life of the individual. Especially retirement results in a decrease in income, loss of usual social status, and change in relations and interactions (Gönen & Hablemitoğlu, 1997). On the other hand, overlapping of losses that are manifest with such original problems as cognitive and physical recession, decline in productive role, change in social position, decrease in interpersonal support, and loss of health that emerge in this period results in poverty (Turaman, 2007). As a notion, which is difficult to define and to determine the limits thereof, poverty has various aspects. Poverty is reflected to the lives of elderly people primarily "in the form of lack of income and productive resources sufficient to ensure sustainable livelihoods," along with "hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion. It is also characterized by a lack of participation in decision-making and in civil, social and cultural life" (World Summit for Social Development Programme of Action, UN). This leads the way for massive poverty in many developing countries, and as poverty compared to the prosperous part of the society in developed countries. Income poverty is measured by the minimum income necessary to sustain one's life and means the lack of purchasing power. Income needed to buy a certain amount of food is defined as "poverty threshold." UNDP developed a new criterion of poverty, namely human poverty. Human poverty means that some individuals lack the opportunities to survive a humane life (UNDP, 2011). At this point, the need for measuring the poverty of elderly people becomes more prominent in order to make plans and conduct programs aiming prevention of elderly people.

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The poverty report by the World Bank (2005) examined the rates of poverty by age in Turkey, where the percentage of elderly people aging 65 years and above was 7% (World Bank, 2005). While the dependency rate of elderly people was 6.8% in 1990, it increased to 8.8% in 2010 (European Commission, 2012). The elderly people think that they have become burdens for others due to their retirement, sufficient economic conditions, and decrease in productivity, which translates into a major psychological pressure for them. Especially the old men would describe themselves as "the old and tired workers" of life (Gratton, 1996). Furthermore, for those elderly people, who are not covered with any social security and live alone, this situation results in their isolation from the society, or even "dying silently" without being noticed by anybody.

"To revise the absolute poverty indicators, based on consumption expenditures published since 2002, Turkish Statistical Institution has started evaluation studies in collaboration with local and international experts in order to reveal the socio-economic situation of Turkey and enable the international comparisons. Within this scope; studies on feasible data sources and new estimation methods and works on calculation of new indicators are ongoing. Until the end up these studies, poverty rates in terms of dollars per day according to personal purchasing parity" (TurkStat Poverty Study, 2010). The TUIK poverty study 2012 results indicated that the poverty lines in terms of dollars per person/day according to personal purchasing parity were decreased. "Based on the $2.15-a-day poverty lines in current personal purchasing parity, percentage of poor in 2009 is 0.22% while it is 0.21% in 2010. Based on the $4.3-a-day poverty lines in current personal purchasing parity, percentage of poor in 2009 is 4.35% and it decreased to 3.66% in 2010." "Based on the $4.3-a-day poverty lines in current PPPs, percentage of poor in rural areas in 2009 is 11.92% and it decreases to 9.61% in 2010. Based on the $4.3-a-day poverty lines in current PPPs, percentage of poor in urban areas in 2009 is 0.96% while it is 0.97% in 2010" (TurkStat Poverty Study, 2010).

METHOD

The study was conducted in Ankara. According to the Address Based Population Registration System (ADNKS) by the Turkish Statistical Institute, the total population of Ankara is 4,550,662, with 2,268,598 male and 2,282,064 female residents.4,762,116 persons live in the Centrum, whereas 128,777 live in town and villages. According to TUIK (2011b) data 191,864 persons migrated to Ankara, and 137,385 migrated out of Ankara. The median age in Ankara is 34.2, and the same is 33.3 for men, and 35.2 for women. The numbers of married men and women in Ankara is 1,229,058 and 1,228,492 respectively (TUIK, 2011b).

Three-fourth of Ankara population is employed in the service sector, which has the largest share in the gross product of the city. The fact that service sector developed to such an extent can be attributed to the lack industry large enough to employ migrated population. Ankara holds 9% of the gross national product of Turkey. 12% of the tax income of the country and 12.3% of budget income is collected in Ankara; whereas the share of the city in the country budget is only 6.4%. In general, 60% of land in Ankara is used for agricultural purposes. Livestock sector gradually lose its previously important place in the city economy.

The study population is comprised of a total of 276,608 elderly individual aging between 65 and 89, living in the central districts of Ankara (Altındağ, Çankaya, Etimesgut, Keçiören, Mamak, Sincan, and

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Yenimahalle). In this process, the number of elderly individuals to be enrolled in the study in the scope of the central districts of Ankara was forecasted to be 2380, taking into consideration a confidence level of 95%, and a confidence interval of 2%.

The data collection tool enabling to determine the poverty of elderly people in terms of social, economic, and cultural needs was prepared in the form of a questionnaire based on open-ended and multiple-choice items. The questionnaire form was comprised of three basic sections. The first section included items introduced with an aim to obtain data on the household, where the elderly people lived in. The second section included questions to obtain information about the elderly individuals, such as sex, age, and marital status etc., and questions regarding the residence. The third section is consisted of open-ended and multiple-choice items to determine to what degree the economic, social and cultural needs of the elderly people were met/not met. Therefore the third section was analyzed under three titles of:

1. Economic Needs
2. Social Needs
3. Cultural Needs.

The first subsection included open-ended and multiple-choice questions regarding the economic needs of the elderly people in relation to money and income. The second subsection included open-ended and multiple-choice questions to reveal the social needs in the context of relations and communications such as the level of elderly people's contentedness about their relations with household members, the frequency to meet with children, grandchildren, friends, and neighbors. The third subsection was designed with open-ended and multiple-choice questions that enable measurement of cultural needs such as reading books and newspapers, daily average TV watching duration, and level of interest in actual events and social issues.

Having been developed as a data collection tool for the study, the questionnaire was tested before its application to elderly individuals in order to determine probable mistakes, and be sure about its reliability and validity. In the scope of the tests the questionnaire was applied to 50 voluntary elderly individuals, within the scope of study population, picked up by simple random sampling method. Serving also as a preliminary application, the approximate time needed to fill in the form was also determined in the course thereof, and the questionnaire was revised upon the opinions of the elderly individuals.

Despite the fact that the study population was determined to include 2,380 elderly individuals at the onset of the study, in practice the questionnaire was applied on one-to-one basis to 2,527 elderly individuals, and 5 questionnaires were excluded due to incomplete and inaccurate filling of the forms. Therefore, a total of 2,522 elderly individuals were included in the scope of the study. The study data were transferred to computer environment via statistical package software (SPSS 20), where filtering and control of the data conducted in electronic media.

RESULTS

In the study hereof, which focused on the elderly poverty, and the analysis of economic, social, and cultural needs, the finding were categorized under below titles:

1. General Information on Elderly People

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2. Information on the Residence of Elderly People
3. Self-perception of the Elderly People regarding Aging
4. Poverty Analysis by the Economic, Social, and Cultural Needs of Elderly People

General Information on Elderly People

The percentages of elderly men and women participated in the study were 69.9%, and 30.1%, respectively. The percentage of elderly people in 65-74, 75-84, and 85-94 age groups were 63%, 31.4%, and 5.6%, respectively. 64.5% of the elderly people were married, where 32.0% lost their spouses, and 1.8% was divorced. 68.5% of the elderly people were married for 26-51 years. It was seen that 87.6% had both civil and religious marriage, 97.1% had children, and 93% had grandchildren. It was observed that nearly half (49%) of the elderly people were graduated from a primary education institution, and 20.7% were illiterate. 95.2% of the elderly people were retired and currently not employed in any job. 91% of the elderly people were covered by Social Security. 90.9% of the elderly people considered their health "good."

Information on the Residence of Elderly People and the Inventory of Durables Therein

The majority (75.9%) of elderly people resided at apartment houses. 90.9% of elderly people held the property of their residence. The residences mostly (91.7%) had three-four rooms, and the elderly people had their won room (90.9%). The inventory of durables in the residences of elderly people was listed as below:

- 79.5% had a telephone in the residence;
- 99.2% had a television in the residence;
- 99.0% had a refrigerator in the residence;
- 95% had a washing machine in the residence;
- 71.9% had a computer in the residence;
- 94.9% had an air-conditioner in the residence;
- 65.6% had cell phones in the residence;
- 87.9% did not have a digital camera/camera in the residence;
- 86.9% did not have a video/DVD player in the residence;
- 78% were contented with the comfort of their residence in general.

Self-Perception of Elderly People Regarding Aging

For 63.8% of the elderly people, aging started at below 65 years of age. 57.6% of the elderly people enrolled in the scope of the study felt themselves aged. 79.9% were contented with their physical look. 74.9% of the elderly people did not consider staying at nursing homes. 96.4% of the elderly people consider education of girls as important. 84.6% of the elderly people did not think then that they could make money based on their skills. A great majority (97.1%) of the elderly people consider themselves as religiously faithful-.

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Poverty Analysis by the Economic, Social, and Cultural Needs of Elderly People

This section below provides the findings regarding the poverty of elderly people in terms of economic, social, and cultural needs, respectively.

Results of Poverty Analysis by Economic Needs of Elderly People

- The rental price charged for 35.5% of the elderly people in the scope of the study was TL250 ($120) or less. Where the same was TL351-450 ($150-220) for 24%, TL251-350 ($120-150) for 19.2%, TL451-550 ($225-250) for 12.5%, TL551-650 ($275-320) for 3.1%, and TL651-750 ($320-375) for 2.2%.
- It was seen that 85.1% of the elderly people did not possess a car, where 14.6% had their own automobiles.
- It was examined whether the income of the elderly people was sufficient to readily afford necessary food needs for balanced nutrition. In accordance therewith, 51.9% of the elderly people had sufficient income, whereas 47.7% did not.
- It was seen that 52.3% of the elderly people had sufficient income to cover health expenses, such as for medical doctors and medicine, however 46.4% did not have sufficient income to meet health needs including doctors and medicine etc.
- Approximately half of the elderly people (49.8%) stated that their income was not sufficient to afford such needs as clothing, shoes etc., whereas the other half (49.4%) declared that their income was sufficient for the purpose thereof.
- Approximately half of the elderly people (53.5%) had sufficient income to readily pay the water, electricity, and telephone bills etc. However, 45.7% of the elderly people did not have sufficient income to pay water, electricity, and telephone bills etc.
- It was seen that 79.1% of the elderly people could not allocate sufficient budget for such activities as excursions and travels; however 17.6% of the elderly people could have allocated sufficient budget for such activities as excursions and travels. 3.3% of the elderly people declined to answer this question.
- Upon examination of whether the elderly people enrolled in the study ever lent assistance to any person or institution during the previous year, it was seen that 59.3% of the elderly people did not lend any assistance to any person or institution, whereas 39.7% lent assistance to some persons or institutions.
- The elderly people enrolled in the study were asked to evaluate their economic status. Accordingly, 51.7% evaluated the same as “fair,” 27.0% found their economic conditions as “poor,” and that only 20.8% of the elderly people evaluated their economic status as “good.”

Poverty Analysis by Social Needs of Elderly People

- It was found that 93.6% of the elderly people were contented with their relations with the household members residing with them. 2.7% were uncertain, 2% did not reply this question, and 1.7% was not contented with their relations with the household members.

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- It was seen that 68.1% of the elderly people stated that their children consulted them while making a decision, whereas 30.9% said they were not consulted by their children, when they made decisions.
- In the context the satisfaction of social needs, the frequency of meeting of elderly people with children was examined. Accordingly, 77.8% of the elderly people stated they were meeting their children frequently, every day to once a week, where 20.7% said they were meeting with their children occasionally, once a month, or at festivals and holidays.
- The level of contentedness of elderly people of their relation with their children was assessed in the scope of social needs. It was seen that 99.3% of the elderly people living in Ankara were contented with their relations with their children, where 5.5% were not pleased thereof.
- In the scope of the study the whether the elderly people enrolled in the study lent social and economic assistance to their children was assessed. It was seen that slightly higher than half of the elderly people (54.1%) lent social and economic assistance to their children, where 44.3% did not /could not lend social and economic assistance to their children.
- It was seen that 68.4% of the elderly people frequently met their grandchildren (every day to one a week), where 29% met occasionally.
- In the scope of the study, whether the elderly people enrolled in the study take the care of their grandchildren for any reason was assessed in the context of satisfaction of social needs. It was understood that more than half of the elderly people (52.9%) did not have to take care of their grandchildren for any reason, and that 46.5% took care of their grandchildren.
- In the scope of the social needs, it was examined whether the children or grandchildren provided economic or social support to the elderly people. It was understood that 59.9% of the elderly people were provided with economic or social support by their children or grandchildren, where 38.7% did not receive any economic or social support from their children or grandchildren.
- It was found that 82.8% of the elderly people frequently met with their friends or neighbors, every day to once a week, where 12.5% of the elderly people occasionally met with their friends or neighbors.
- It was seen that 91.4% of the elderly people were contented with their relations with friends or neighbors, and that 5.5% were not contented with their relation with friends or neighbors, and that 3.1% did not reply the question.
- It was seen that majority of the elderly people (74.7%) paid occasional visits to their relatives. It was observed that the percentage of those elderly people paid frequent visits (every day to once a week) to their relatives (11.1%) was higher than that of those, who did not pay any visits to relatives (7.6%) and those, who did not have any relatives (5.1%).
- The status of greenery areas in the districts, where the elderly people enrolled in the study, was examined. Accordingly, the majority of elderly people (80.4%) stated they had parks/greenery areas in their districts, where 19.6% said there was no parks/greenery areas in their districts. 81.7% of the elderly people were benefited from the greenery areas in their districts.
- It was seen that 76% of the elderly people had parks in their district, where 23.4% had no park in their district. It was observed that more than a half of the elderly people (55.1%) were benefited from the park in their district, where 44.9% did not benefit from the park in their district.
- As for the available social facilities in the districts of the elderly people, it was found that more than a half of the elderly people (56.3%) stated there was no social facility in their district, where 43.7% said that they had social facilities in their districts.

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- As for the available sports facilities in the districts of the elderly people, it was found that more than a half of the elderly people (55.7%) stated that there was no sports facility in their district, where 44.3% said they had. However, it was also seen that 62.8% of the elderly people did not benefit from the social facility in their districts, where only 37.2% were benefited there from.
- As for the available markets in the districts of the elderly people, it was found that the majority of the elderly people (87.8%) stated they had a market in their district, where 12.2% stated they had no market in their district.78.4% of the elderly people were benefited from the markets in their district.
- As for the available coffeehouses in the districts of the elderly people, it was found that 78.2% of the elderly people stated that there were coffeehouses in their district, where 21.8% said they had no coffeehouses in their district. 67.3% of those, who had a coffeehouse in their district, were found not to have benefited from these coffeehouses.
- As for the available parking lots in the districts of the elderly people, it was found that 64.6% of the elderly people stated they had no parking lot in their district, where 35.4% said they had parking lots in their district. 77.6% of the elderly people were not benefited from the parking lots in their district. The main reason for the foregoing is that the percentage of elderly people possessing a car was low.
- As for the available primary healthcare centers in the districts of the elderly people, it was found that 96.6% of the elderly people stated that they had a primary healthcare center in their district, where 3.4% did not have any. It was seen that 93.6% of the elderly people were benefited from the primary healthcare center in their district, where 6.4% did not.

Poverty Analysis by Cultural Needs of Elderly People

- As for the status of reading newspapers or magazines, it was seen that 59.6% of the elderly people read newspapers or magazines, and that 43.4% did not read newspapers or magazines.
- It was examined whether the elderly people share newly acquired information with their friends or relatives. It was seen that 80.5% of the elderly people shared newly acquired information with their friends or relatives, where 19.5% did not share newly acquired information with their friends or relative.
- The daily average TV watching durations of the elderly people were assessed. It was found that 79.1% of the elderly people watched TV for an average period of 0-5 hours, 18% for 6-10 hours, and 2.6% for 1o hours and more.
- 78.9% of the elderly people thought that the TV programs they watched were helpful for their lives. Whereas, 19.3% believed these programs were not helpful, and 1.8% did not provide a reply.
- It was observed that 79.7% of the elderly people were interested in actual events and social issues, where 18.8% were not interested in actual events and social issues.
- It was seen that 86.2% of the elderly people were not members of any foundation, association, club, chamber, union, or political party, where 13.2% were members of a foundation, association, club, chamber, union, or political party, and that 0.6% did not provide a reply.
- In the scope of the cultural needs, it was examined whether the elderly people went for a domestic travel for sightseeing. Accordingly, 65.3% of the elderly people stated they did not go for a domestic travel for sightseeing, where 34.2% said they went for a domestic travel, and that 0.5% did not provide a reply.

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- It was observed that the majority of the elderly people did not go for an international travel for sightseeing, where 9.2% went for an international travel, and that 0.8% did not reply this item.
- It was examined whether the elderly people could go wherever and whenever they want to in their city. It was seen that 62.6% of the elderly people could go wherever and whenever they want to, that 37.1% could not go wherever and whenever they want to, and that 0.2% did not reply this question.
- The elderly people were asked if there was a place in the country they wanted to see. Accordingly 51.7% of the elderly people said that there was a place they wanted to see, and 48.3% stated there was no place in the country that they wanted to see.
- It was examined, whether the elderly wanted to see a place outside the country. It was found that 72.6% of the elderly people said that there was no place they wanted to see outside the country, and 27.4% stated there was a place outside the country that they wanted to see.

FUTURE RESEARCH DIRECTIONS

In pointing to key future research directions we can identify two separate sets of issues. Firstly a set of thematic concerns which are likely to need particular attention over the coming decade (the what) – and secondly two major priorities in taking forward these concerns in the commissioning and execution of elderly poverty research (the how).

The what: some of these things are already on the radar (for example, politics, or gender) and have been for a long time. However, all are connected with how elderly poverty distribution and dynamics are likely to change over the coming decade. Politics about redistribution, poverty measurement methods for elderly, social differentiation, exclusion and poverty will be important issues for next research.

The how: in order to generate policy relevant elderly poverty diagnostics in parallel to the innovations in 'growth diagnostics', and opportunities for stronger policy evaluation. There are two sets of issues which won't happen automatically, and where long-term investment needs to be made. Firstly longitudinal quantitative and qualitative research is an important new basis for improved poverty diagnostics. Secondly in-country capacity building, stronger in-country networks including not only research institutes but research users, research analysts, statistical offices and citizens are needed. There should be a particular focus on the capacity to do longitudinal mixed methods, policy relevant, research; and an active effort to identify opportunities that information and communications technology provides to leapfrog conventional approaches to data collection, checking and analysis, with potential for gains in cost, speed, frequency and granularity of elderly poverty research.

CONCLUSION

Today the aged population of the world has increased and continues to increase as a result of the social, economic, medical, scientific, and technological changes. It is estimated that the number individual aging over 60 years will be 1.2 billion in 2025, 1.3 billion in 2040, and 2 billion in 2050, with 80% of the developed countries. As of 2002, the number of individuals aging 60 years and over in the developing countries were approximately 400 million. It is forecasted that the same figure will rise to an approximate

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amount of 840 million as from 2025. Therefore almost all developed countries will be witnessing the aging of their population in the forthcoming decades.

Old age is not a new notion in the globalized world. However, day by day this phenomenon manifests itself through new problematic and the need for new service models. All countries had to face with increased economic and social demands during the aging process. Old age and issues related to old age have become to determine the agenda of the services together with the changing world conditions, developing healthcare system, and cultural and social changes. The elderly people are no more living in the extended family model, but in a world where nucleus family model has become widespread. On the other hand the advancements in technology and healthcare services increase average life expectancy. Due to the changes in needs and consumption habits during the old age period, difficulties in meeting economic and social needs, and prevalence of such conditions as dementia and Alzheimer's disease, this period may become quite challenging for relevant individuals.

The US Population Institute emphasized in its report published in September 2011, that the world population increased from 6 billion to 7 billion since 1999, and that one billion people were added to the global population in the said 12-year period. At this point, the report questions the implications of population increase for the future of the world and for ensuring the welfare of the entire humanity, and especially of disadvantaged, vulnerable groups such as children, elderly people, and women. In the context thereof, the report underscores the importance of such issues as the exhaustion of resources, fight against poverty, reinforcing disadvantaged groups such as children, elderly people, and women, and restructuring of population policies (Population Institute, 2011).

While percentage of employed population decreases in the aging societies the number of retired people increases. As with the increase in the number of retired people, the burden on the social security system and public finance increases. Moreover it seen, due to aging, that the healthcare expenses of the elderly people increase, that the elderly people need to benefit from healthcare services more frequently and for longer periods due to chronic diseases, and that the number of medicines and the administration period thereof is higher in the elderly people. One of the most important issues with regard to the economic cost of aging is the poverty of elderly people.

This study examined the poverty of elderly people upon analysis of economic, social, and cultural needs. Therefore, it was aimed to determine the deprivations accompanying the poverty. In this study, which researched the poverty of elderly people in Ankara, it was found that 64.5% of the elderly people were married, nearly half (49%) were graduated from a primary education institution, and 20.7% were illiterate. 95.2% of the elderly people were retired and were not employed in any job. 91% of the elderly people were covered by social security. 90.9% of the elderly people considered their health status to be "good."

Despite the fact that the residences of the majority of the elderly people were their own property, the percentage of possessing one's own residence and a car was lower in elderly people at low-income level. The percentage of having such durables as TV, air-conditioner, refrigerator, washing machine, telephone, and cell phone at home were lower in low-income elderly people. Therefore the level of dissatisfaction with their residence was higher in low-income elderly people.

It was found that the elderly people were in general not contented with the level of their income, that they found it insufficient, and that they could not sufficiently afford such expenses as food, clothing, electricity and water bills, and medicine. They could not make travel and excursion plans and allocate budget for such activities. Furthermore, the elderly people were economically supported by their children

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or grandchildren due to the insufficiency of their income. Due to poverty, the elderly people experienced deprivations deeper as well. For instance, it was understood that impoverished elderly people used telephone less frequently due to its cost and visited their children less frequently. It was seen in the scope of the social needs that the elderly people were generally contented with the interpersonal relations and relations with their children, yet the low-income elderly people stated that they were not consulted by their children, when a decision to be made in the family. Moreover, the frequency of meeting with children and grandchildren was lower in such individuals. This suggests the fact that poverty is transferred to next generations. In a metropolitan city long distances increase the transportation cost and that usually the children, also poor themselves, experience difficulty in paying a visit to their poor elderly parents. On the other hand it was found that the elderly people mostly watched TV to meet their cultural needs, and met their need to read newspapers and books at lower degrees. Also despite available urban facilities as parks, sports facilities etc. the level of benefiting from these opportunities was low. Most elderly people did not make plans to see a place inside or outside the country due to poverty and inability to allocate budget there for. Although the level of meeting the cultural needs is associated with poverty, educational status and intellectual capital also influence the motivation and expectations to meet the cultural needs. Taking into consideration that approximately one-fifth of the elderly people enrolled in this study were illiterate, it was concluded that the motivation to meet cultural needs was low.

While on the one hand the income decreases with old age, the prevalence of diseases rises and the healthcare expenses such as medicine and doctor increases. There are ongoing social assistance programs in cash and in kind for poor elderly people in Turkey, in the scope of social warfare state practices, such as home care giving fee, old age pension for 65 and over age group, and free or discounted transportation opportunity. However it is seen that alleviating poverty is one of the most important issues for the elderly people, as it is with the generality of the population. Therefore it is obvious that effective social policies and intervention methods are required to implement in micro and macro levels.

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KEY TERMS AND DEFINITIONS

Absolute Poverty: This is a term used in various different ways to denote a poverty level that does not change over time, in terms of the living standard that it refers to. It stays the same even if society is becoming more prosperous. An absolute poverty line thus represents a certain basic level of goods and services, and only rises with inflation to show how much it would cost to buy that package.

Deprivation: Deprivation is the consequence of a lack of income and other resources, which cumulatively can be seen as living in poverty. The relative deprivation approach to poverty examines the indicators of deprivation, which are then related back to income levels and resources.

Elderly People: Most developed world countries have accepted the chronological age of 65 years as a definition of 'elderly' or older person, but like many westernized concepts, this does not adapt well to the situation in Africa. While this definition is somewhat arbitrary, it is many times associated with the age at which one can begin to receive pension benefits. At the moment, there is no United Nations standard numerical criterion, but the UN agreed cutoff is 60+ years to refer to the older population.

Financial Behavior: It can be defined as any human behavior that is relevant to money management. Common financial behaviors include cash, credit and saving behavior.

Life Expectancy: Life expectancy is the expected (in the statistical sense) number of years of life remaining at a given age.

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Need Analysis: Requirements analysis focuses on the elements needed to be represented in the system, needs analysis focuses on the requirements related to the goals, aspirations and needs of the users and/or the user community and feeds them into the system requirement analysis process. The main purpose of needs analysis is the user's satisfaction.

Poverty: Poverty is general scarcity or dearth, or the state of one who lacks a certain amount of material possessions or money.

Relative Poverty: Poverty can be defined and measured in various ways. The most commonly used approach is relative income poverty. Each household's income, adjusted for family size, is compared to median income. (The median is the "middle" income: half of people have more than the median and half have less.). Those with less than 60 per cent of median income are classified as poor. This 'poverty line' is the agreed international measure used throughout the European Union.

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Chapter 15
National Migration Policy as a Principle for Economic System Structuring in the Modern States: The Case of Russia

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ABSTRACT

This chapter covers three actual problems of the modern economy: immigration processes in developed countries and their "economic effect," current migration problems of Russian regions, as well as the specifics of economic space structuring considering the overall impact of migration processes on the territorial economy and the labour market. In the chapter, the assessment of the economic role of immigration in developed countries is justified, economic effects of migration processes are established, the analysis of the structure of the economic space of the modern state is conducted, regions of the Russian Federation in line with migration problems and conceptual substantiation of formation mechanisms of the Russian economic space are classified. The recommendations on the modernization of the Russian migration policy related to the use of positive foreign experience are suggested as conclusions. The given problem seems to be especially actual in the light of the strengthening of the latest migration processes, connected with the crisis in the Ukraine.

INTRODUCTION

International migration of the population refers to the number of large-scale, global and increasingly developing social processes of modernity. According to assessments of the International Organization for Migration (IOM), five years ago the number and in recent years they are reaching the double level. In recent decades, at the general background of intensification of cross-country human flows the

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concentration of migrants to developed countries has increased. For the last fifty years, the share of these countries in the world number of migrants has increased from 40 up to 48%, while the share of foreign origin residents in their population has increased from 3,4 up to 10,3% (Andrienko & Guriev, 2004). Developed states, "giving" to other countries only a small part of their population, are the largest recipients of migrants. Therefore, immigration, understood in the broad sense of this word as the inflow and "accumulation" of the population of foreign origin, has a much more important significance for developed countries as compared to other migration flows: emigration of their citizens, return and secondary migration of people from other countries.

The scale and sustainability of immigration determine the importance and the structural nature of its role in the economy of the host societies. However, the economic consequences of immigration in developed countries are mixed. One can see in it a factor contributing both to employment and unemployment increase of local population, the replenishment of the state Treasury and its overloading by additional social expenditures, etc. On the one hand emphasizing the migration contribution to the increase in labor resources and strengthening of innovative capacity, required for dynamic economic development, and, on the other hand, its connection with strengthening of terrorist threats and ethnic conflicts, creating social and political risks of economic agents' activity, give to the discussion a particular acuteness. In the world crisis conditions, when xenophobia is increasing, which is the subject of speculation for extremist and other anti-immigration minded political forces, public opinion towards immigrants is extremely contradictory. According to the data of Eurobarometer, last year only 44% of respondents, residents of EU, believed that immigration contributes to the development of their countries significantly, while 47% of people rejected this fact categorically. The significance and diversity of the modern role of immigration in economies of developed countries, the presence of different, occasionally diametrically opposite assessments determine the relevance of its comprehensive and balanced analysis, and the need for research to identify the positive experience, different approaches and activities of these states, aimed at strengthening of the positive consequences of immigration and weakening of the negative ones.

Modern demographic situation in Russia is ambiguous and is characterized by the severity and intensity, caused by preceding the development challenges of the age and sex structure, complexity of movement types and the mode of reproduction of the country's population. In recent years there has been a significant increase in the number of supporters of the extreme pessimism theory concerning the demographic processes in Russia. In the public consciousness the idea about the hopelessness of the situation and the inability of the country's transition to optimal demographic development is actively being formed. Some scientists consider that, on the one hand, it is necessary to accept the fact of demographic degradation as something inevitable and unchangeable and, on the other hand, they rely not on the growth and development of the internal demographic resources, but only on immigration. Today Russia needs to take into account the positive "immigration experience" of developed countries in order to build an intelligent policy of economic development of its subjects, considering the scale of the country, population, ethnic peculiarities of its regions.

Lately the situation in southern regions of Russia, experiencing a huge influx of immigrants and refugees from the South-East of the Ukraine, aggravated considerably. According to the Russian migration service, in Russia the number of refugees from the Ukraine is almost half a million. The United Nations Organization names a smaller, but, in any case, a very impressive figure - 110 thousand. In the Conception of long-term socio-economic development of the Russian Federation for the period up to 2020 an important role is given to the international migration of the population in reducing of labor shortages and in the innovative development of the national economy. As the national studies show, mi-

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gration becomes "crucial for Russia", and in the nearest time the dynamics of economic growth, living standards, social climate, regional proportions of development, the size of the country and its integrity will depend on it. In recent decades, Russia took an active part in the international exchange of people and has become one of the world's largest recipients of migrants (according to the UNO, - 12,1 million people), conceding in this indicator only to the USA (38,4 million).

Despite the specificity of the development trends of migration processes in Russia, there is a considerable similarity of the goals and objectives of the migration policy of our country to that of developed countries. Therefore, when developing and implementing effective migration policy of the Russian state it is timely to study approaches and practical measures, used by these countries. At the same time, it should be noted that Russia should rely not only on immigration, but on the use of its own (internal) demographic resources. Depopulation processes aggravate the situation of regions with a different level of development. The reproduction of the Russian population has its own specifics. A number of steps, which are closely related to the socio-economic development of the society, have taken place. And all this gradually developed from the biologically-adjustable process (only the strong survives) to that, determined by social values and the attitude to human life and the person.

These processes cannot but affect the specifics of the economic space of Russian regions. The concept "economic space", the "united economic space" can be found in the economic literature more often in recent years, however, in general, as a special subject of scientific understanding, the notion of "economic space" remains outside the scientific research and cannot be properly defined. However, the major developed countries used the spatial factor actively for ensuring the goals of the transformation of the world economy, which was reflected in changing global patterns of production of goods and services, the distribution of foreign investment, loans, debt, patents and licenses, migration, transport flows, etc. Now we may say with a sufficient degree of confidence that this influence had a determining nature and determined the further course of global economic evolution considerably. Processes in the world economy, correlation changes of the power balance of their major participants, a shift in the priorities of their activities have a direct impact on the economic space in the world scale. Unresolved tasks, which separate countries and the world economy face, stand out more clearly. Not the autonomy of action of free market relations stands out more clearly, but the phase of the aggravating crisis, first of all, in relations between civilizations, cultures, people and nature.

The complexity of the impact of economic space on the potential of geographic and economic transformations can be seen not only in the regions of huge Russia, but throughout the whole world economy, and is determined by the fact that not only economy is in the transformation but also economic space, initiating these processes. The ideology of "economic openness" has become an important moment of transformation processes, which unfolded in the majority of states in the modern world (especially in developing countries and countries with transition economy), determined by a complexity of internal and external factors. All these tendencies were manifested in Russia. "Economic openness" revealed in the revision of views on the rights of the state, when the privatization was carried out; the financial system was changing, more serious importance was given to market processes. State intervention into the economy was reduced to a minimum, but at the same time the obligations of the state, connected with social security issues of citizens were greatly reduced. At the same time, the liberalization of the management systems of all types of international economic relations was realized, the active participation of states in international organizations activities expanded, there was a formation of new alliances and coalitions, the aspiration to take full advantage of new opportunities arising from the international division of labor strengthened. Migration processes in this system also played an important role.

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In developed countries, the economic consequences of immigration, despite their ambiguity, in general, have a positive nature. Immigration is an important social source of economic development of countries - recipients of the population. The inflow of highly qualified specialists plays an especially important economic role. The contribution of immigration to the economy will grow significantly in the long term. Russia, which gave in the 90s and early 2000s highly qualified specialists to the West, took a huge number of residents of the former Soviet republics to its regions. Central regions and capital cities experienced extended influence: Moscow and Saint-Petersburg. The experience of developed countries in similar situations is positive. Selecting and attracting migrants which are in demand, promoting their integration in the host society, creating conditions for the adaptation, development and effective use of their economic potential, counteracting factors that generate flows of forced migrants, and favoring voluntary repatriation of refugees and some other categories of immigrants living on their territory, the developed countries increase the size of the win, obtained from immigration, and ease the burden of its costs.

Foreign labor migration is becoming an integral part of regional development in the conditions of globalization, the expansion of international economic relations, the internationalization of production, innovation development of economy. Foreign workers act as one of the sources of staffing in the regions of the Russian Federation. The role of foreign labor migration is becoming stronger in connection with demographic processes, taking place in the regions of Russia and related to the depopulation and aging of the population, which are reflected in the shrinking of labor force. Foreign migrant workers have a significant impact on peopleware, and, consequently, on the economic development of the regions and Russia as a whole. Over the last two decades in the economy of subjects of the Russian Federation profound transformation took place affecting all aspects of social and economic development of the regions. The country's transition to market principles of economic management has caused a major shift in the sectoral and occupational structure of the regional economy, changes in the spatial configuration of industries with partial closure or profile conversion of existing enterprises, the emergence of zones of surplus labor and, in contrast, areas with an acute shortage of specialists, the change in general parameters of economic activity of the population throughout the regions of the country.

A constant imbalance between the demand of enterprises for personnel and the availability of free labor force has become the result of these transformations for the regional economy. As a result, business entities in need for staffing have started to resort to borrowing of labor force from other regions of the country, from near and far abroad countries. Social and economic difficulties in these countries have become additional stimulus for foreign labor migration, which takes the nature of the unmanaged flow in some regions of Russia. At the same time an effective and balanced regional policy of regulation of labor migration practically was not worked out, which, in some cases, led to the emergence of hotbeds of social tension and conflicts on ethnic grounds.

Today we must accept that for the regional economy, its peopleware at the expense of attracted labor force has become an integral and important condition for the territorial development and one of the factors that determine the dynamics of social and economic processes, including the stable development of the region as a complex social and economic system. The process of foreign labor migration has an impact on the demographic situation, the functioning of the labor market, the crime situation, sanitary, epidemiological and ecological situation of the host region. Russia, as it is known, is entering a period of large-scale reduction of working age population, which will have a negative impact on the peopleware of the regional economy. According to forecasts annually during 2009-2018, the reduction of the working-age population will be more than 700 thousand people, and in 7 regions of Russia, the total

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decline in the working age population will exceed 200 thousand people (Topilin, 2004). One of the ways to solve this problem, as it is noted in the Conception of long-term socio-economic development of the Russian Federation for the period up to 2020, is the attraction of foreign labor force in accordance with the needs of the demographic and socio-economic development. In this connection the study of positive experience of developed countries and working out of models of effective formation of economic space, considering the regulation of labor migration processes are very important. It will let to appreciate the current and perspective need of the economy of regions in staffing, including that one, which is formed at the expense of foreign labor migration.

Purpose of the study in an evaluating the economic role of immigration in developed countries, the establishment of logical relationships between factors, characteristics and economic effects of migration processes as a basis for migration policy and principles of economic space structuring of the modern state, as well as in the conceptual substantiation of formation mechanisms of the economic space of the Russian Federation according to the current migration situation.

In order to achieve this purpose it is necessary to solve the following objectives:

- To identify the main factors, influencing the economic effect of immigration, in the context of analysis of the driving forces and modern trends of population migration to developed countries;
- To generalize the conceptual approaches to the definition of "economic space", to clarify the nature of its structural mechanisms;
- To substantiate the nature of the impact of immigration on the economy of developed countries, to show the importance of immigration for the development of the modern economy;
- To systemize the effects of immigration at the labor market, to investigate the "barriers", hindering the effective use of economic potential of migrants;
- To examine the measures of developed countries for the raising of economic benefit from immigration and the reduction of burden of associated costs.
- To classify the Russian regions by the number and intensity of flows of foreign labor migration, to identify its driving forces;
- To substantiate conclusions on optimization of migration policy in Russia in the correlation of the development of migration processes in the developed countries and Russia, as well as to identify the series of processes of migration policy of developed countries, representing a practical interest for the Russian authorities.

MAIN HYPOTHESES OF THE STUDY

1. Modern Russia has the tasks to increase the efficiency of the national economic space. Problems of transformation of the economic space in Russia have a more than one century long history and are characterized by the accelerated changes in its spatial organization, caused by revolutions, world wars, and after it – by the confrontation of the two systems. In this connection, the economic space of the Russian Federation involves a complex structure, with a large proportion of social, cultural and demographic characteristics. In the structure of economic space the provision with resources is important, so the problems of the working population come to the forefront.
2. Migration is one of the most important mechanisms in the structure of economic space. Immigration is a powerful social source of the economic development of recipient countries. The inflow of

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highly qualified specialists plays an especially important role in the economy of these countries. The contribution of immigration to the economy grows significantly in the long term perspective. The economic consequences of immigration in developed countries, despite their ambiguity, in general, have a positive nature.

3. Selecting and attracting migrants in demand, thus facilitating their integration into the Russian society, creating conditions for the adaptation, development and effective use of their economic potential, as well as confronting the factors that generate flows of forced migrants, developed countries increase the positive effect of immigration. Russia, adapting positive foreign experience, could use its potential for the benefit of the whole society, facilitating the costs of immigration.

PRIMARY RESEARCH

A large number of scientific works is published on questions of international migration, both abroad and in Russia. Profound research of many economic problems of population migration to developed countries is carried out. Nevertheless, there is a range of quite unexplored issues, including, in particular, the macroeconomic consequences of economic externality of immigration and also foreign economic mechanisms of influence on migration processes.

Foreign economic science has started to study seriously the problems of the impact of immigration on the macroeconomic aggregates of the host countries only in recent years. First steps to assess the economic effects of immigration are taken. Analysis of migration policy focuses mainly on immigration policy; quite recently researches on integration issues have started to appear. However, use of assistance and development measures to influence the reasons of migration and managing its flows remains a little studied subject. In Russian works on the economic analysis of the immigration effects in developed countries, the main attention is paid to its socio-economic effects, mainly to labor flows. Attempts of a broader consideration of the economic impact of immigration are mainly focused on the analysis of the impact of labor migration on the development of global systems of transport, communications, foreign trade and remittances of migrants; not enough attention is paid to a number of other, first of all macro-economic impacts in host countries. Connection of foreign workers movements with the movements of the united family members and other categories of migrants, the population mobility of foreign origin (immigration status, condition of economic activity and so on), the importance of the influence on the economy of the host countries of the population as a whole, and not only of its employed part, create the need to consider a wide range of economic consequences of the whole immigration flows, including migration of the labor force, but not limited to it.

There are certain regularities both in the development and appearing of migration processes. The main modern trends of migration allocated by Iontsev, V., include: globalization of international migration, expansion of labor migration and the growth of the share of highly qualified personnel in its flows, intensification of illegal and forced population movements. But we can see a deviation from some previously identified trends in connection with decay of a number of hotbeds of refugees, and also under the influence of the financial crisis. Migration has a phasic nature, involving, in accordance with the scheme of Rybakovskiy, L., the existence of three main stages: taking the decision to migrate, the arrival in another country and adaptation to a new place. Taking into account the repayment of a part of migration flows and orientation of immigration policies of developed countries on it, staginess is understood wider, covering also the stages for the repatriation and reintegration.

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The complexity and the mobility of migration flows structure and composition of the foreign origin population, multiplicity of channels of their interaction with the host society determine the multidimensionality of the immigration impact on different spheres. The main spheres of immigration influence on the economy of host countries traditionally include the labor market and the state budget. Justifying the ambiguity of the consequences of immigration in these areas, it is advisable to rely on the approaches and ideas of foreign scientists as: limited "portability" of human capital; differentiation of short-term and long-term effects of immigration on the conditions of work and employment of the local population; long-term life cycle of consumption of public services by the foreign origin population and its tax payments (Bentolila, Dolado & Jimeno, 2007).

In the absence of a unified theory of migration policy one should highlight the conceptions of its concrete directions: "realistic" (etatist) theory of migration of Waltz, K. and Mearshimer, J., governing the admission of foreigners by the national interests of the recipient country, including its workforce needs; the concept of socio-cultural and socio-economic integration of migrants by Kymlichka, V., and Collette, E., connecting the integration with economic and social development of the host country; modern interpretations of the classical theory of foreign trade by Tapinos, J. and Conjo, D., from which it follows that foreign economic measures of developed countries, helping to reduce the gap at the development level between countries, are able to eventually weaken the driving forces of migration. Combination of these theories in one theoretical block allows you to build up the logic and show the integrity of the migration policy of the developed countries.

MAIN FOCUS OF THE STUDY

Determinants of Migration Flows in Developed Countries and their Economic Effect

To the economically developed countries we refer the countries in Western Europe, the USA, Canada, Australia, New Zealand and Japan, which constitute the bulk of the OECD countries (Organization for Economic Cooperation and Development) with a high level of income. Modern migration to developed countries is caused by a complex of driving forces. The main determinants of migration flows are differences in the level of economic and social development, condition of the political environment and demographic resources in different groups of states. The main reasons, contributing to the objectives of the move, the degree of preparation to it, adaptation and integration opportunities of migrants, - are economic, which can be considered as a factor favoring the increase of the immigration contribution to the national economy of the host countries. Although, emigration from developing to developed countries is often explained by poverty. Statistics show that the majority of modern international migrants refer to the middle social strata and come from middle-income countries. This circumstance allows making a conclusion that the main motive for moving to developed countries is not an escape from poverty, but better employment opportunities and increase of revenues. Taking into account the "self-choice" of foreign workers, better prepared in the professional sphere and purposeful involvement of certain categories by developed countries, a rather common association of immigration mainly with the import of poverty is not fully justified.

Despite the forecasts of rapid development of a number of developing countries, the prospect of an enduring lagging behind from developed countries promises the prolongation of intensive migration

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flows in the coming decades. As the emigration processes have a certain life cycle and develop along the spiral trajectory, we may expect their strengthening in accordance with the economic development in the countries, which are considered to be the most poor now, and, on the contrary, their attenuation in the countries, which are the donors of the population at present, and the transformation of the latter into its recipients.

Globalization acts as a certain accelerator of migration processes, gives them a chain, cumulative character and an internal dynamics, and enhances commonness of their trends and consequences. Together with the formation of the world labor market and the expansion of foreign trade (including the connections with the implementation of GATS (General Agreement on Trade in Services), globalization trends in the field of business, education, science, transport and communications, social relations, criminal activity on the organization of illegal entry of foreigners have the most noticeable influence on migration. However, some of the globalization processes, connected with the establishment of foreign affiliates of TNCs (Transnational Corporations), the development of outsourcing and formation of information networks can also facilitate the widening of employment opportunities in the countries of origin of migrants, including remote labor for foreign customers, and thus to weaken the potential of physical emigration of separate groups of the population. At the same time, migration contributes to the globalization of development of countries and regions.

Movement routes of the population are influenced considerably by historical connections, geographical, cultural and linguistic closeness of the countries of origin and reception of migrants, residence of relatives or Diasporas of compatriots in the last ones. Presence of such conditions contributes to a more rapid integration of migrants into the economy and a more complete realization of their human capital.

In recent decades migration to developed countries was distinguished by large scale and progressive dynamics, showing the weak dependence of the autonomy of its constituent flows, primarily humanitarian ones, on the state of economic conditions and determining the intensity and stability of its impact on the economy of the host countries. Since 1960, the number of international migrants in the developed countries more than tripled, reaching to the mid-2000s 91 million. The main feature of the last decade is the emergence of a large wave of economic migration, initiated by developed countries. At the same time there was a tendency towards the narrowing of flows of refugees. However, the main part of the settlers was still accepted because of humanitarian reasons (family reunification, asylum), what conditioned the ambiguous nature of the impact of immigration for permanent residence on the functioning of the economy.

A significant proportion of foreigners arriving to developed countries is approximately 1/4-1/6 of the total number – is coming illegally, feeding the shadow economy, creating threat for the national security of the countries of destination. In the USA, as well as in Russia, the number of the army of illegal immigrants is estimated at about 12 million people. Modern migration to developed countries is diverse ethnicities in composition in comparison with the long-established indigenous or ethnic groups. This tendency is more typical for the labor migration to Russia. With the transformation of the host societies into multi-ethnic, multicultural and multi-religious ones, the problems of their social cohesion and stability aggravate, which have the essential significance for the functioning of their economies.

The composition of the newly arrived residents by the level of education is polarized. As a rule, the number of people who do not have a diploma of secondary education among foreigners is higher than among the native population, what is especially characteristic of labor migration to Russia (preserving the outdated production base of the use of foreign labor). At the same time, in the conditions of the rapid intensification of intellectual migration in most OECD countries, the proportion of foreigners with the

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third level of education, exceeds the corresponding figure among local population and is growing rapidly. The vast majority of developed countries have a positive balance of intellectual migration, the greatest gains from which receive the USA, Canada, Australia and Switzerland.

The size of the contribution of immigration to the economy, and the degree of urgency of problems, generated by it varies considerably across countries. At the same time one can trace common features and trends in its impact on the functioning and economic development of the host societies.

In conditions of reducing and aging population in developed countries, the changes in the proportions between able-bodied and disabled parts in favor of the second one, immigration has become a significant factor of the demographic situation. Migrants make up a tenth of the population of developed states, including about fourth-fifth - in Australia, Switzerland, New Zealand and Canada (and the twelfth part in Russia). In the first decade of the 2000s, the contribution of net migration to population growth of OECD countries was estimated at an average of 40-50%. (In Russia, where there is a natural decrease of population, migration is partial - by the end of the first decade of the 2000s - by 50% - refunds.) At the same time, immigration has an ambiguous effect on the ratio of economically active and inactive population.

From the right to the left there are countries: Australia, Switzerland, the USA, Sweden, Spain, the Netherlands, France, Great Britain, Italy, Portugal, Finland. Blue column – the whole population, red column – economically active population, green column – working population

As a result immigration forms a special segment of the labor market of foreign origin workers with a high level of unemployment, widespread unstable and illegal employment of low-skilled and unskilled types of occupation, works, which do not correspond to the specialty and educational level, with lower wages (on average by 5-25% lower than that of indigenous population). Among the main factors hindering the effective use of economic potential of migrants are ignorance of the language of the country of residence, the incompatibility of education/qualification to national standards and the needs of the labor market, and also discrimination.

Problems, arising at the labor market, from which newly arriving cohorts of migrants suffer to the greatest extent, cause widespread poverty in their environment. However, in the USA and Great Britain, at least in recent years, there was no obvious link between immigration and the growth of social inequality in the society. Moreover, migrants, integrated in employment successfully (at the background of outflow of visitors, who could not enter the economic life of the host countries), often showed even higher rates of upward social mobility than the native population. At the same time, they also stimulated this process among the local workers.

The inflow of foreign population plays an important role both in smoothing the structural, professional, sectorial and territorial imbalances at the labor market, caused by the acute lack of both low - and unskilled personnel (for example, in construction, trade and public catering in Russia), and professionals, primarily in high-tech industries, in the system of health care and education. By the mid-2000s in American universities the share of teachers of foreign origin among those who got an academic degree in the USA in the field of technical Sciences was 40%, by the end of the decade in this country the share of immigrants - scientists in the field of Medical Sciences was 46%. Supporting traditional industries and nourishing the knowledge economy, immigration contributes to the balanced functioning of the national economy complexes and dynamic economic growth.

Higher territorial and sectorial mobility of recent migrants contributes to the mobility of labor from areas and sectors with a high level of tension on the labor market to more prosperous ones, to strengthening of flexibility and efficiency of its functioning. Together with it, reducing the economic incentives

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for solving short-term challenges of labor shortage, immigration can create preconditions for their transformation in the long-term ones.

According to the majority of studies, conducted in developed countries, the immigration impact on the level of employment and wages of the local population is ambiguous. In the short term shocks of labor supply, caused by immigration, could have a destabilizing influence on local labor markets and facilitate the redistribution of incomes in favor of the owners of the capital. However, this effect is unimportant and depends on the composition of flows of immigrants and the nature of their presence at the labor market (complementary or competitive in relation to local residents) and manifests differently among the diverse groups of local people. In the long term during the adaptation of production to the changes in number and composition of the workforce, increase in investment, production and demand for labor - consequences of migration are becoming positive.

In the conditions of financial crisis, despite the growth of unemployment in some sectors, in particular in the sphere of R & D, education, health, agriculture, the demand for foreign workers remains and their use flattens the imbalance at the labor market. At the same time immigrants due to the nature of their position at the labor market have bigger losses in jobs, especially in construction, service sector, retail trade and tourism than the local population, thus damping the impact of the crisis on employment. This tendency is reinforced with the introduction by a number of countries, in particular the USA, as well as by Russia, restrictions on the use of migrant labor. However, because of evasion from return to the homeland of unemployed temporary migrants and, moreover, the unattractiveness of the prospects of repatriation for permanent foreign residents, immigration is no longer able to perform countercyclical functions effectively, as it was in Western Europe in the years of the recession of the 1960s. It strengthens tension at the labor market and, probably, will lead to the growth of the shadow economy.

Immigration affects such economic macro parameters of developed countries, as aggregate demand and aggregate supply, including the supply of labor and capital, and also technologies of their use in the production process, influencing the dynamics of economic growth. According to the results of studies for individual countries, the role of migrants in the production of GDP is conditioned to a considerable extent by their share among the employed: in Great Britain in the mid-2000s, the corresponding figures constituted 10,9% and 11%. If we compare the share of migrants among the employed with a median level of their wages (indirect indicator of productivity), the contribution of migrants to GDP production in 2005-2006 can be evaluated in Portugal at 7,3%, the Netherlands - 8,8%, France - 10,1%, Sweden - 11,6%, the USA - 12,5%, Germany - 13,9%, Canada - 20%, Switzerland - 21,7%, Australia - 27,4% . According to experts' estimates, in Russia the share of migrants accounts for 8 - 9% of GDP production ("Why Russia needs an immigration policy", 2013).

Providing a significant part of the employment increase immigration makes a significant contribution to the output growth. In Great Britain its share makes 1/5-1/6 part of the increased production for the period of 2001-2006. According to the estimates of the expert of the ILO (International Labor Organization) P. Stoker, the increasing population of West European countries due to immigration by 1% leads to an increase in GDP by 1,25-1,5%. We can assume that in the conditions of financial crisis without the use of labor of migrants in demand, GDP decline would be even stronger.

The contribution of migration flows different in the level of qualification to the economy varies considerably. If under the influence of immigration the population with a high level of qualification in developed countries of Europe increases by 10%, the gain from immigration increases by 5,5%; in case of a similar increase in the unskilled part of the population, the corresponding figure will be only 0,85%.

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Among the channels of influence of migration on the capital accumulation one can highlight the growth of investments, coming from the countries of origin of migrants, including those made by immigrants. In 2000 the capital imported by the so-called investment immigrants to Canada amounted $5,76 billion, that is (12% of the total volume of foreign investment). Cost savings for foreign labor and the increase of entrepreneurs' incomes, connected with it, can also be a factor, contributing to the growth of investment activity.

In contrast to the positive impact of immigration on the total production, its influence on the dynamics of per capita GDP is ambiguous and depends to a considerable extent on the correlation of employment rate among migrants and the local population, as well as their productivity. At the same time immigration can contribute both to deceleration and acceleration of productivity growth. In addition, it can cause the effect of economies of scale and encourage more efficient use of resources.

Attraction of large contingents of scientists, engineers, and students from abroad stimulates the inventive activity and the spread of innovation in the economy, accelerating the rate of its growth (according to macro models by 0,5% a year). Thanks to it, the leadership of the USA is guaranteed in key high-tech areas. The increase in the share of foreigners among the American University graduates by 10% causes the increase in the number of patents on inventions, granted by commercial firms, by 6,8%. The fact that between 1901 and 2005, one third of Nobel laureates in medicine and physiology, and in 1985-1999, in chemistry were natives of other countries shows the extremely high productivity of arriving scientists, their contribution to scientific and technical development of the United States.

Thanks to the economic activity of immigrants-entrepreneurs and wage workers employed at their enterprises, and also independent workers, belonging to the same ethno-cultural group, a special segment of the host economy is being formed - the so-called ethnic economy. In ethnic enclaves, unattractive for local businesses due to their increased criminality, small capacity and low market returns, ethnic business develops types of economic activity in demand, ensures the satisfaction of the demand for specific ethnic goods and services. Although, ethnic business in the nationwide scale occupies quite a peripheral position, its contribution to the "common pot" is rather noticeable. Thus, over the last decade in the USA firms, owned by immigrants from Asia, created 2,2 million of jobs and made a profit of $ 326,4 billion. Business activity of migrants often contributes to the revival and economy development of former depressive areas.

The impact of migration on aggregate demand is realized primarily due to its contribution to population growth and expansion of its consumer demand. At the same time, the arrival of new foreign customers at the market, different from the local population by the level of income and wealth, preferences, and so on, has a different effect on the scale and structure of demand, than a similar increase in the number of consumers among the local residents.

As a rule, the reduced level of wages of foreign origin workers, particularly newcomers, lower accessibility of social payments for them, transfer to the homeland of the part of their earnings, their lower demand in the acquisition of durables, a bigger orientation on the products of the lowest price groups, etc. restrict the scopes of short-term expansion of consumer demand as a result of immigration. It should be noted that by the middle of the past decade in Germany the level of savings among the local population was 8,6%, among temporary migrants (including remittances to their Homelands) reached 11,8%, decreasing up to 7,2% among the settlers. Short-term pressure of immigration on the wages of local workers even affects the temporary reduction in consumer expenditures. At the same time, specific segments of the consumer demand for specific goods and services, typical for countries of origin of

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migrants (which may stimulate the growth of imports and the expansion of local production) are formed due to immigration.

In the long term, the migrants' consumer demand increases with the growing in the period of their stay increase of their earnings and other income, the acquisition by them of consumption standards of the local population, and also the growth among them of the number of highly skilled layers of population. In addition, immigration facilitates the increase of the purchasing power of the local population, contributing to the increase of its incomes.

Immigration influences various factors of inflation. It is mainly connected with the arrival of new cohorts of immigrants and, as a rule, it becomes stronger with their growing share in the economy, but it becomes weaker with their integration, usually having a short-term nature. Disinflationary influence of immigration is primarily determined by the difference of its contribution to the expansion of aggregate demand and supply. As the studies of IMF (International Monetary Fund) show in the countries of Western Europe, the growth of output, resulting from the involvement of additional resources and reduction of the marginal costs due to immigration, is more significant than the growth of consumption, caused by it. Such "scissors" prevent the formation of excess demand, or inflation rupture, causing inflation of demand. In addition, as immigrants are represented by trade unions less than local workers, and show a greater readiness for low-paid work, the marginal cost of production is reduced with the growth of immigration. Increasing the threat of substitution of local workers, immigrants weaken their position in collective bargaining. Thus, the growth of labor supply, resulting in short-term lowering of wages, reduces wage inflation. In Spain, for example, during the period of 1995-2006 at the background of the absence of immigration the average annual inflation rate would be by 2,2% higher. While at the markets of various goods and services there are opposite effects of immigration on inflation. Increasing the demand for housing, immigration stimulates a little bit the growth of prices for it. High concentration of low-paid workers of foreign origin in certain types of economic activity contributes to lower prices, especially on their labor-intensive services.

The main channels of influence of immigration on the balance of payments in current operations are foreign trade and remittances of migrants. The identified by foreign scientists statistical connections show that migration contributes to the expansion of foreign economic relations between the countries (regions) of residence and origin of migrants. Short-term effects of immigration on foreign trade is caused primarily by the increase in aggregate demand (including "ethnic" goods, customary in their native countries), which is partially satisfied by the growing volume of imports, which may result in the short term to the deterioration of the trade balance. However, long-term effects of immigration on foreign trade, including export, taking into account its impact on the efficiency and competitiveness of the economy, often become positive.

The export of educational services, connected with the reception of foreign students, has become a significant external source of revenues to many developed countries. By the beginning of the 2000s, the share of the indicated income in the export of services reached 13% in Australia, 8,1% - in New Zealand, 4,2% - in the USA, 2,1% - in Italy and 2% - in Canada (Ivakhnyuk, 2005).

At the same time, through the channels of remittances of migrants there is an outflow of funds from developed countries, what does not facilitate the stabilization of their economies in the conditions of the financial crisis. However, taking into account the relatively small sizes of this flow (0,4% of GDP of developed countries), its partial compensation by counter remittances, as well as its weakening in the conditions of crisis, the impact of this factor on the balance of payments is relatively small.

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According to multiple studies, in most developed countries, the average immigrant pays more taxes and fees and receives less social payments than the average representative of the indigenous population. Therefore, in the national scale there is a positive balance of the budget income and expenses, related to the stay of migrants in the country. Even forced and illegal migrants may replenish the national treasury, if they become taxpayers. Favorable fiscal impacts of immigration, growing with the increasing period of stay of migrants in the host country and improvement of the level of their qualifications, are especially noticeable in the long term. However, with its help we cannot solve the budget problems, connected with the population ageing. Thus, the impact of immigration on the sphere of public finances and social infrastructure (social security, education and health) has a contradictory character, arising from the dual role of migrants as producers of services and payments and, at the same time, their consumers. The arrival of medical and teaching employees and students creates impulses to the development of the relevant branches of social infrastructure and replenishment of the state treasury. However, the new settlers, unemployed members of families of migrants and geographically concentrated communities of immigrants create an additional burden on the budget and the field of free social services, especially at the local level, and this burden is growing in conditions of the crisis.

Among the external effects of immigration one can clearly see its influence on the national security and legal order of the developed states, affecting the living conditions and economic activity in the host countries. It is established that international terrorism is closely connected to migration, especially illegal one: the executors of the terrorist acts in the USA, the UK and Spain as well as in Russia were immigrants included in networks of al Qaeda. According to the estimates of the IMF (the International Monetary Fund), the direct losses from the terrorist act in the USA in 2001 exceeded $ 21 billion, that was equivalent to 0,2% of the GDP of this country. The British government allocated approximately £ 2 billion (0,12% of GDP) for the fight against international terrorism, including strengthening of border and immigration control in 2008. Connection of crime, as well as of unconventional political actions, and migration are also clearly seen. In the early 2000s in Great Britain the additional costs of the judicial and penitentiary systems, associated with the increased share of ethnic minorities and immigrants among prisoners, were estimated at £ 3,08 billion (0,3% of GDP). Maintenance of tolerant inter-ethnic relations in the society also requires public funds. In Great Britain their volume, including the budget of the Equal Opportunities Commission, was estimated at least at £ 600 million (0,03% of GDP). Such expenses of host countries weaken the positive fiscal effect of immigration. However, their sizes are usually relatively small in scale of the national economy and do not affect the balance of the positive economic consequences of immigration in general.

Socio-economic and political importance and the multidimensional character of immigration effects in developed countries make it an important object of the state regulation, determining the necessity of its multi-purpose nature. The spontaneity of the development of some migration processes, their ability to generate unpredictable and hardly controlled consequences give a special importance to the introduction of human flows into an organized way. The similarity of problems, solved by immigration policy of developed countries, contributes to its convergence, the enhancement of integration tendencies in it. The ruling circles of the developed countries are becoming more aware of the need for a balanced, complex, multilevel and multilateral management by migration processes, including immigration policy, integration of immigrants and their descendants and external economic impact on migration processes.

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The Role of Migrations in Structuring of Economic Space

Currently, the migration is the subject of study of such sciences as Geography, Sociology, Economics, Demography, Statistics, Law, and many others. Migration is a socio-economic process related to the labor market, living standards of the population and other socio-economic indicators. Migration forms the demographic structure of the population of the country, determines the state of regional and local labor markets. Before determining of the role of migration in the structure of the economic space of Russian regions, it is necessary to note that the processes, affecting the specifics of the territorial structure of regional economies of such a big country as Russia, have problems similar to global aspects of the organization of world economic space. The study of the global aspects of structuring of world economic space lies outside the field of this study, but understanding of its basic mechanisms is necessary to clarify the role of migration processes in the General structure of territorial economic system (Gluschenko, 2006).

The transformation of the world economy began not with the collapse of the socialist economic system and the USSR, but from the end of the 19th century and was characterized by the accelerated changes in its spatial organization, caused by revolutions, world wars, and further by confrontation of the two systems. Now not only economic space changes radically, but also the organization of the world economy, subjected to destructive crises, which have assumed a global character. The need for a new theoretical understanding of the problems of the world economy, the development of principally new methods of research is dictated by the transition to a new level - the volume organization of economic space. In this connection it is possible to allocate three groups of interrelated problems.

The first one concerns the identification of the theoretical and methodological approaches of economic space learning, corresponding to the level of its structure, which are the basis of the world economy study; the establishing of the adequacy of an integral, really existing space, in which separate economic subjects act; to peculiarities of its abstract display in scientific and economic concepts.

The second one reveals a series of issues, connected, firstly, with the essence of the ongoing transformation of the world economy, its mechanisms, stages, patterns and driving forces; and secondly, with the peculiarities of the coming world order, the place and the role of Russia in it (the formation of a long-term strategy of economic development).

The third one – touches upon inconsistencies between the most important planetary needs and the possibility of their satisfying with joint efforts of mankind in the foreseeable future.

The whole inconsistency of the results of Russian modernization is explained by the specific development of Russian economic space, complex and ambiguous economic, political and cultural position of Russia in the world. As the historical experience of Russian modernization shows it is not so important what allies Russia acquires during this or that period of time, but it is important that it was always open for both European and world economy. Extensive way of development of Russia, which led to the expansion of the territories, was an original reply in relation to any geopolitical shifts in Eurasia. As a result of which Russia had to spend huge resources to create a centralized and militarized state, confronting threats from the East and the West. The problem also consists in the fact that developed countries consider natural resources of the whole world to be their property, as they, in the end, are influenced by their commodity-money relations (the volume of economic space). According to them, Russia is a raw materials appendage of not only European countries and the USA, but also of actively developing countries of South-East Asia and China (Zayonchkovskaya, 2007).

All kinds of economic space can be represented in the form of a formalized, dynamic model, which allows getting an effective mechanism for "tracking" the development of the economy. The main purpose

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of using of the potential of economic space formation is the achievement of the balance between the fundamental and market factors where migration processes are present and play their role. A distinctive feature of the proposed scheme is its consideration not only from the standpoint of the contribution of the fundamental factors in the process of economic space creating and the impact on these factors, but also from the point of view of the economic space building, taking into account the use of various factors potential.

Provision with resources is important in the structure of the economic space. Here the quality of the working population comes out at the forefront. Also the growth of population density, migration of workers (movement of entrepreneurs) with the aim of reducing of distances to markets, decrease of disunity, caused by inter-state differences in currencies and normative base are of great importance for the successful economic development. Space changes which occurred in these three dimensions - density, distance and disunity - are especially noticeable in Japan, North America and Western Europe. Thanks to the fast and frequent movements of people and goods, the share of North America, Western Europe and North-East Asia, where less than one-sixth of the world's population lives, is about three quarters of the world's GDP. In short, productivity, profit, quality of life is in the direct dependence on the proximity to the centers of economic activity.

Demographic studies with the use of spatial characteristics aim at analyzing and developing of the probable prognosis of changes in the state of population of countries, regions and the world economy as a whole. If we consider the share of countries in the world population, the greatest decrease in population is expected in developed countries from 17,13% in 1980 to 12,75% in 2020 (see table 1). The indicators of Western Europe and the Transition Countries are comparable. In the group of Developing countries the greatest increase in the share of the world population can be noted for the group as a whole from 74,21% in 1980 up to 81,67% in 2020, and in regions of Sub - Saharan Africa - from 8,93% to 12,83%, correspondingly. By the share in the world population Africa was already ahead of Western Europe in late 70s of the 20th century and in the long term, this gap will only increase (not less than 2 times).

Table 1. The share of the world population of the groups of countries, separate countries and regions, % (The World Economy: Forecast till 2020, 2007)

	1980 Year	1990 Year	2000 Year	2005 Year	2010 Year	2020 Year
The Whole World	100.0	100.0	100.0	100.0	100.0	100.0
Developed countries including:	17.13	15.40	14.26	13.89	13.42	12.75
The USA	5.15	4.79	4.72	4.63	4.57	4.49
Japan	2.63	2.38	2.10	2.01	1.90	1.74
Western Europe	8.30	7.22	6.45	6.25	5.96	5.55
Developing countries including:	74.21	76.72	78.95	79.79	80.58	81.67
Brazil	2.77	2.78	2.85	2.93	2.94	2.94
People's Republic of China	22.11	22.12	21.01	20.49	19.86	18.73
India	15.31	16.00	16.84	17.20	17.41	17.78
Sub-Saharan Africa	8.93	9.42	10.61	11.11	11.72	12.83
Transition economy countries including:	8.66	7.89	6.79	6.32	6.00	5.58
Russia	3.15	2.87	2.41	2.23	2.08	1.91

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During the observed period, only indicators of Russia and Japan are comparable in value. Brazil since the mid-90s of the 20th century begins to outstrip Russia and Japan significantly. If in some regions of developing countries one can notice a rapid increase in the population ("population explosion"), developed countries and Transition Countries are subject to sharp deterioration of population reproduction ("demographic crisis"), which is expressed in a rapid slowdown in population growth and in some cases of its natural losses (Russia), and also in the demographic ageing of the population.

Most developed countries have reached the stage of demographic maturity, characterized, on the one hand, by a low mortality level, and, on the other hand, by the low level of birth. The transition of industrially developed countries to the volume of economic space is directly linked to the tendency of the "population ageing", because people face so many needs (temptations) that, in some cases, the desire to have children is not different from any other utilitarian need, therefore the possibility to possess this or that thing becomes an obstacle for the increase of the family.

Taking into account the increasing role of the innovation component of the modern stage of scientific-technical progress, priority attention should be given to the migration of intellectuals-scientists, teachers and specialists of high and the highest qualification. The work of scientists and research workers is becoming the most important resource and the factor of development, first of all of innovation one, without which no country can achieve high socio-economic indicators. Therefore, the movement and consolidation of intellectuals are connected with the problems of creation of the corresponding infrastructure and mechanisms of adaptation in the host country. From the second half of the XX century one can notice the growing processes of purposeful attraction of intellectuals to developed countries to obtain economic benefits.

In the volume of the economic space the resources are directed to the place, where the costs are lower and efficiency is bigger. Russia, possessing the intellectual potential, created throughout many generations, and still having the possibility of reproduction of intellectual resources (concentrated in the academic institutions and establishments of higher education), with the existing system of motivation of scientific activity, is not able to use them properly and provide the necessary conditions for work and life.

In the context of the essential approaches to the definition of the economic space we should note that migration is a reliable source of economic well-being of the territorial units of any country and the region in general. For successful socio-economic policy we need to be able to predict the magnitude and direction of migration flows, to determine the factors of migration, to estimate its consequences, what is possible by means of constructing of corresponding models? In the 2000s the share of registered internal migrants of Russia's population was only 1,4% of the population. For comparison, in the USA this indicator constituted 13,7% of the population on average for the period of 2000-2006, in Canada 14,6%, in Japan 4,6% (Tyuryukanova, 2007).

However, it is necessary to note that international comparisons are difficult to make because of the existing differences in accounting methods. At present there are not many works devoted to the modeling of internal migration in Russia. Most of the research works have a descriptive and qualitative character. There is an urgent need for quantitative measurements of the links between internal migration and the economy of the country. One of the most comprehensive works in this area was published by Andrienko and Guriev in 2004 (Andrienko & Guriev, 2004) and dedicated to the analysis of interregional migration in the 90s. The authors describe one of the main barriers of migration – the poverty trap. In the 90s the poor population of the one third of Russian regions was in the traps, i.e. people had no opportunity to leave the region because they did not have sufficient funding for the move. There are almost no research works on modelling of migration in Russia on less aggregated data.

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But migrants go not to a particular region, but first of all to in a city, town, rural settlement. For example, conditions of employment not only in the region but at a specific local labor market are important for people. At the regional level (territorial, republican) the local labor market may not be formed, whereas in a certain city it is possible. Therefore the analysis of migration flows and the identification of factors of migration are necessary not only at the regional level, but also at the level of municipal units and cities. It requires the development and evaluation of models, taking into account the statistical information, existing in Russia. Migration may affect the interregional differentiation in labor market indicators and per capita income.

But, despite the fact, that in Russia the significant inter-regional differences in many socio-economic indicators are substantial, the volumes of registered migration of the population are considerably lower than in other countries of the world. In the 90s the trend of the volume of internal migration was decreasing, while, on the contrary, the differences between the regions were increasing. In the 2000s, in Russia the processes of convergence of per capita income and wages were observed. In these processes the role of internal migration of the population is great, especially in the current Russian situation. Impact of migration on wages, average income and unemployment rate in the regions is evident. One of the consequences of internal migration is the redistribution of labor resources, which leads to a change in the balance at the labor market, and as a result, to changes of interregional differentiation of these indicators.

There are two basic theories, suggesting various effects of migration on interregional differentiation in labor market indicators: neoclassical theory and the approach of the new economic geography. The existence of two conflicting theories is explained by two effects that are generated by migration of population: from the point of view of labor demand and labor supply. From the viewpoint of labor supply, migrant workers can reduce interregional differentiation, moving to a more perspective regions. Thus, the supply of labor in the departure region is decreasing and labor supply in the region of arrival is growing, as a result of which the salary in the departure region is growing and in the region of arrival it is reducing. From the point of view of the labor demand migration, on the contrary, results in the growth of regional differences. Since migrants lead to the growth of demand for goods and services in the region of arrival, it leads to increased demand for labor and, as a result, to the increase of salaries.

Thus, wages in the region of arrival continue to grow and interregional differences do not reduce. Neoclassical theory assumes that the effect of labor supply is dominant in comparison with the effect on labor demand. The approach of the new economic geography has the opposite position. Different preconditions are the basis of these theories, what leads to different results. There are not only the channels of the labor market when discussing the effects of migration on interregional differentiation, but remittances of migrants, investments, diffusion of technologies and others. In the works of Borjas, G., Fratesi, U., Riggi, M. separate flows of skilled and unskilled workers are investigated. The main factors of migration are economic factors, in particular per capita income. The most important directions of budget expenditures for migrants are expenditures on education and health. The presence of the problem of poverty traps is characterized by a positive coefficient between the migratory flow and the average per capita income in the region of departure.

If to present a theoretical model of migration, implying a non-monotonous connection between a migratory flow and per capita incomes in the region of departure, you can trace that there is some threshold value of per capita incomes, up to which the migration flow increases with the income growth, and after it the migration flow either does not change or decreases with the income growth in the region (Barrell, FitzGerald & Riley, 2007).

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Table 2. Classification of the regions according to intensity of migration flows

Clusters	Regions
I	All the rest
II	The Kalmuck Republic, Tiva, Mordovia, (33, 62, 71)
III	The Komi Republic, Khabarovsk Territory, Murmansk, Amur and Kamchatka regions (20, 25, 74, 75, 76)
IV	Krasnoyarsk Territory and Irkutsk Region (65, 66)
V	The Sakha Republic / (Yakutiya) 72
VI	Arkhangelsk Region, the Buryatiya Republic (21, 61)
VII	Sakhalin Region, Jewish Autonomous Region (79, 78)
VIII	Primorskiy Territory – 73
IX	Magadan Region, Chuckchi Autonomous District (77, 80)
X	The Chechen Republic – 36

Cluster Analysis of Migration Processes in the Subjects of the Russian Federation

In the complex of economic problems in Russia the migration policy acquires a special importance. At the Federal level it is necessary; firstly, to determine the priorities and objectives of the migration policy, secondly, the differentiation of the federal and regional migration policies is necessary. In the Concept of the state migration policy, the migration policy is linked to the capacity of the labor market and socio-economic position of the subjects of the Russian Federation only in a streamlined liberal form. The implementation of such liberal migration policy may cause a deep crisis in employment sphere, especially in labor-abundant regions of the South of the country. Therefore, we need a more strict coordination of the migration policy with the situation at the labor market.

In General, because of incomplete information about the socio-economic development of the subjects of the Russian Federation, we can make a conclusion that migration processes in Russia have a spontaneous character. Migration flows are mostly to the regions with the largest population, and the lowest level of socio-economic development. The solution of the problem, revealed in several Northern clusters of the general problem can become a powerful tool for efficient practical solutions of the migration policy of the country.

CONCLUSION

Immigration has become a very important and in fact an integral factor of the modern life and long-term economic development of the host societies due to its range, stability and forwarding dynamics. Its national economic role is tend to increase. Most significant economic consequences of immigration and respectively their overall balance have positive character. Substantial and positive contribution of immigration to the economy of developed countries, confirmed by statistical data and research results stated in official documents of the governments of developed countries is clearly operated in a number of areas. Immigration is a very important source of workforce, the solution of structural problems of

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the labor market, the resource ensuring the traditional sectors' operation, the dynamic growth of the knowledge economy's branches and overall balanced development of economic complexes of the host countries as well. It has a positive impact on the economic dynamics of the developed countries and plays an essential role in the production of their GDP. Admission of foreign experts and students contributes to the activation of innovative activity. The arrival of new cohorts of migrants promotes the decrease in inflation.

Apart from the obvious positive effects of immigration, there are its ambiguous consequences at which the possibility of temporary negative tendencies is admitted. Immigration can contribute to both improvement and deterioration of the indigenous population's welfare. It might have differential effects on employment rate and earnings of various groups of the local population. Being favourable to GDP growth, immigration in some cases ties up the dynamics of per capita index. Widespread use of cheap foreign and mostly low-skilled labor may lead to the reduction of capital-labor ratio, decelerating its productivity and production modernization. With the general positive impact of immigration on the scale of population's consumer demand there is a probability of their limitations in case of its downward pressure on aboriginals' incomes. If foreign students' training is a significant source of the export revenue, the increase in transfer of foreign workers and the expansion of imports, caused by immigration negatively affect the balance of payments on current accounts. Although nationwide state budget revenues related to immigration as a rule exceed the social expenses caused by it, yet at the local level inverse trends are often observed.

External economic effects of immigration, mediated by its political consequences have mainly negative character. Terrorist, criminogenic and ethno-political risks of economic agents' activity caused by immigration quite often entail additional revenues of receiving societies. However, their significance for the economy is generally relatively small.

Intensity and nature of immigration impact on the economy of the developed countries, being closely connected with the scales of the migration processes differ significantly in long-term and short-term plan. With the adaptation of production to the changed conditions of economic activity under the influence of foreigners' influx observing in the long-term plan, immigration promotes the growth of investments, output, labor demand, employment and earnings of the local population, the formation of the state budget surplus and a positive balance of payments on current transactions. Moreover, within a long period after the migration wave, with the outflow of foreigners who could not manage to adapt to the new environment, the proportion of integrated and more productive workers-immigrants increases. However, in the short-term plan immigration may negatively affect a number of indicators. Nevertheless, this influence is insignificant as a rule.

Economic effects of immigration show dependence on the structure of migration flows and the structure of the population of foreign origin. The integration of highly sought skilled foreign professionals who become a highly profitable asset of host societies and their arrival for quite a long period meet the long-term economic interests of developed countries.

Although the role of immigration in times of unfavourable economic conditions is little studied the trends found in the environment of economic recession provide a glimpse of some cyclic differences in the effects of immigration. In terms of a crisis, inconsistency of the economic role of immigration appears to be sharper, its positive contribution is weakened and the negative impact becomes more intense than in periods of positive economic dynamics.

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Though the economy of the developed countries still needs labor force of foreign origin, the latter having significantly increased during the period of economic recovery in crisis times is excessive in relation to the reduced needs for it. This appears in strengthening its destabilizing impact on the labor market, the state budget and interethnic relations. At the same time the stability of demand for foreign experts and the continuous stimulation of their inflow confirm that immigration preserves important functions in the innovative development of the receiving countries.

Taking into account the demographic problems and structural disproportions of the developed countries' labor market and at the same time the migrants' quick reaction to open vacancies, their lower pretention and quite often high efficiency, in case of improvement of economic environment immigration may speed up the recovery.

Powerful driving forces of international migration of population determine a very significant potential for its further growth. Economic growth recovering in developed countries as well as in Russia will result in activating of the international labor exchange and increase of the national economic importance of immigration in the host countries.

The developed countries undertake considerable efforts to increase economic benefits from immigration and reduce the burden of revenues connected with it which are clearly traced in the logic of their migration policies. In immigration policy the accented economic interests of developed countries appear firstly in the selecting and attracting of demanded categories of economic migrants, primarily highly skilled ones; secondly, in reception rationalization of reunite family members and refugees; thirdly, in entry banning of undesirable foreigners including illegal penetration. The integration policy creates conditions for the active involvement of migrants in the host society to adapt, develop and make full use of their economic potential.

This policy is aimed at solving the problems of increasing of economic efficiency and social cohesion in society. Implementing measures in this sphere, host countries actually invest into the development of their economies. Foreign economic measures prevent the appearance of migration flows, being forced by political reasons, unemployment and poverty, and promote the voluntary repatriation of refugees and other categories of migrants who failed to integrate into the new environment, partially unloading the developed countries from the burden of the supporting of unemployed members of society. The most problematic and least efficient link of migration policy is the fight against illegal immigration. Failures of the authorities in the integration of Muslim communities and young migrants of the second and third generations are also obvious.

However the developed countries are in a constant search for more effective approaches to migration policy and the mechanisms of its implementation, responding flexibly to the changing situation allowing them to counteract inevitable negative consequences of migration processes and strengthen the positive ones.

The research of economic consequences of immigration in developed countries allows to make a number of conclusions that can be important for Russia. Experience of the developed countries indicates the multidimensionality of immigration consequences, existence of specific patterns and their specific expression in specific circumstances, delayed in time and cumulative nature of their parts being a considerable potential for developing both their constructive and destructive tendencies. Thus, special measures are necessary to guide these processes which are important to be considered in terms of large-scale immigration.

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As migration processes in Russia are comparatively young, their long-term positive consequences haven't fully appeared yet. This makes some negative short-term effects visible. The analysis of migration policies of developed countries indicates a number of its advantages, such as branching and flexibility of the institutional system, wide development of standard and legal frameworks, integrated approach and the diversity of practical tools that promote the development of corresponding measures and increase the efficiency of their implementation. The following seems to deserve a serious attention:

- System-based fight against illegal immigration, including cooperation with the countries of migrants' origin and transit;
- Coordination of measures of active migration policy aimed at attraction of foreign and migrated earlier local experts with innovative measures and general economic policy;
- Assistance in starting small business by migrants;
- Complex and massive support of migrants at the first stage of their stay in the country after moving;
- Ensuring arrival of the demanded categories of temporary low-skilled employees on a returnable basis;
- Creation of a special infrastructure for expansion of inflow of foreign students; - implementation of measures aimed at maintaining tolerant interethnic relations in society.

Under the conditions of the financial crisis narrowing of flows of foreign workers is planned. Revenue decline of the middle strata feeding student's migration is likely to lead to its weakening. However, as foreign experts believe, the circulation mobility of highly skilled professionals will be still high. Forecasts predict both the intensification of illegal migration due to more rigid restriction of legal entry and its weakening due to unfavorable market conditions. The crisis may deepen the socio-political instability in the world and provoke new flows of shelter seekers. As family reunion immigration is less subjected to economic factors it is likely to preserve its scales. In the context of worsening of the economic situation in migrants' countries - donors the returning movement of the latters is weakening. Due to divergent trends of development of individual migration flows, their common vector is not likely to change essentially in the short-term plan.

Foreign labor migration is a complex socio-economic phenomenon, which affects the development of regional economy, especially its staffing. At the same time foreign labor migration serves as a condition for balanced economic development of the region being supplementing resource of staffing in the region, but not substituting. The accounting of interregional differences in economic and social development is an essential condition in developing managerial decisions on the regulation of foreign labor migration processes for the balanced economic development of the region.

Differentiation of regions according to the number and intensity of flows of foreign labor migration is caused by differences of socio-economic parameters of the development of subjects of the Russian Federation. All subjects of the Russian Federation should be divided into three types: regions with high, medium and low potential migration load. Each one is identified by specific determinants of socio-economic development which affect the intensity of migration flows.

Foreign labor migration processes are characterized by dual impact on staffing of the regional economy. On the one hand, foreign workers are able to compensate the reduction in the labor force caused by

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the demographic crisis and supply staffing in case of insufficient domestic sources. On the other hand, expansion of foreign labor migration affects the increase of stringency on the regional labor market. Thus, for taking managerial decisions on regulation of migration processes, their scope and intensity for ensuring effective regional economic development, a quantitative assessment of the impact of foreign labor migration on the economic development of the region and its staffing is required.

Attracting of foreign labor migrants should be considered as a tool for regulating the efficient functioning of the economy of the region. Consequently, the migration policy should meet the changing needs of the regional economy in staffing in time. The analysis of migration legislation of the Russian Federation showed that labor migration processes begin with an assessment of the region's needs for foreign labor, which is mainly based on only one source of information – applications of business subjects for attraction of foreign workers. The research of both the structure of economy's staffing needs and the structure of the existing workforce in the region in the context of economic activities and levels of professional education should serve as basis to identify opportunity of staffing by internal sources and the regional economy's demand for foreign workers. The mechanism of regulation of staffing of the regional economy along with the resources of foreign labor migration can be used in management decision making for staffing optimization, increasing the balanced development of the regional economy for the current and prospective periods on the basis of the planned rates of regional economic development and changes in number of its resident population.

It is reasonable to distinguish subjects of the Russian Federation on the basis of an assessment of potential intensity of foreign labor flows to the region with the use of a system of indicators to characterize economic development, demographic situation, a standard of living, social tension and the development of the regional infrastructure, in particular: fixed capital investments per capita, a share of employed in the informal sector in the total employment, average prices on the primary housing market and others. Formation of the mechanism of foreign labor migration regulation becomes an element of the staffing of the regional economy.

To model interregional migration in Russia it is necessary:

- To analyze the changes of statistical methodology of migrants' accounting;
- To take into account the heterogeneity of regions, to define "special" regions, to build up models for couples of regions at different distances;
- To structure factors of migration and build integrated indices characterizing each of groups of factors;
- To develop econometric models that take into account the nonlinearity of interrelation of migration with income rates.

While classifying migration and socio-economic development of the subjects of the Russian Federation a negative relationship between the rate of migration growth and investments in fixed capital per capita and per capita incomes, on the one hand, and the direct relationship between migration flows and population was revealed. Migration flows are directed mostly to the regions with the largest population, and the lowest level of socio-economic development. The latter again confirms the spontaneous nature of migration processes, insufficient information on the socio-economic development of the subjects of the Russian Federation. According to the results of cluster analysis it is recommended to divide subjects of the Federation into districts on the basis of intensity of possible migration flows based on indicators of population density threshold, labor market saturation and the level of socio-economic development. It is

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recommended to zone subjects of the Russian Federation on possible migration flows intensity: districts with the greatest maximum possibility of intensity; districts with average intensity; districts with weak intensity; districts with limited migration flows. According to the results of the cluster analysis it makes sense to divide subjects of the Russian Federation into districts on intensity of possible migration flows:

1. Regions with the greatest possible intensity;
2. Regions with an average intensity;
3. Regions with weak intensity;
4. Regions with limited migration flows.

Carrying out a balanced migration policy aimed at positive territorial movement of the population according to the capacity of the labor market and strategy of socio-economic development of each region will contribute to solving many social problems, in particular the problems of settling depopulated villages, the development of northern and eastern regions of Russia, restoring and development of infrastructure of these regions. The policy of distribution of state investments and stimulation of private ones as well as programs of development of road and housing construction should also facilitate this problem.

It is important to use "synthesizing" approach to the analysis of driving forces of migration where multiplicity of migration conditions are integrated. The three-block scheme of migration driving forces include: essential reasons of migration, global processes, intensifying migration, and the factors influencing the choice of country-destination. In this context it is possible to evaluate the potential of migration processes development and their influence on host societies.

The main tendencies in international migration at the turn of the XX-XXI centuries are the following: the rise of a new strong wave of economic migration and broad involvement highly qualified specialists into it, including scientists; rapid growth of illegal migrants' number; forced migration weakening, though it is nonlinear; stabilization and even some reduction in the proportion of immigrants from countries, ethnically and culturally distant from the receiving countries, and the intensification of migration between developed countries. The restriction of legal labor flows to developed countries and return flows from them are marked. An effect of immigration on the dynamics of poverty and social mobility is obvious. Immigration considerably influences the supply of resources necessary for economic growth, technologies of their use in the production process, aggregate demand, inflation and balance of payments on current transactions. The role of immigration in ensuring continuous and balanced functioning and growth of economy, which is not burden by accelerating inflation, is great. There are also differences in the effect of immigration on GDP, its per capita index and labor productivity. In strengthening the innovative capacity of host countries the role of intellectual flows is significant. It should be noted that in the economy of urban neighborhoods "ethnic business" carries out important functions. The impact of immigration on the functioning of the social infrastructure has contradictory character. Immigration is resulted in strengthening of terrorist and criminogenic threats, interethnic tensions that influence social and political conditions of economy's functioning, increasing budgetary expenses caused by increase of such socio-political risks. Thus taking into account the specified external effects of immigration it is necessary to calculate its fiscal consequences.

It is appropriate to use the three-level system-based characteristic of modern migration processes management, which along with the analysis of immigration and integration policy includes an assessment of the role of foreign economic mechanisms in voluntary repatriation of migrants, in reducing emigration, being forced by political reasons, poverty and unemployment, in closer coordination of migration

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and development issue. Migration policies should be focused on different terms and stages of migration processes, with the aim not only at present-day problems, but also at future; be guided not only by economic needs, but also political interests and humanitarian concerns. The development of integration trends within the EU can serve as an example of various directions of migration policy.

The creative accounting of foreign experience coordinated for the Russian national identity would facilitate immigration expenses and allow maximizing its potential for the benefit of the Russian society.

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KEY TERMS AND DEFINITIONS

Economic Openness: 1. Economic openness is the recognition of the standards and laws of the world market. Assumes reasonable availability of the domestic market to foreign capital, goods, technology, information, labor force (Avdokushin E. F. (1999). International economic relations: M: ITC Marketing). 2. Economic openness, free trade is the most favorable rule of the game for leading economy (Pebro, M. (1994). International economic, monetary and financial relations, 1994). 3. The degree of openness of the national economy is determined by the lack of country "excessively large" export and import duties, the existence of a "reasonable" level of conversion of the national currency (Sachs, J.D., Warner, A.M. (1995). Natural resource abundance and economic growth // NBER Working paper series. Working paper 5398).

Economic Space: 1. this is a rich area containing many objects and relationships between them: human settlements, industrial enterprises, economically developed and recreation areas, transportation, and utilities etc. (Granberg A.G. (2000). Fundamentals of the regional economy). 2. Economic space is an abstract economic landscape dynamic resource allocation depending on market conditions and their location (Krugman, P. (1994). Rethinking International Trade).

Immigration: 1. (from lat. Immigro - dwell), entry (check) in the country on a permanent or temporary (usually long) stay of nationals of another country. Immigration is determined by a number of reasons (economic, political, religious, and other). Immigration has played a crucial role in settling some parts of the world and in the formation of the population of many countries. Has a significant. impact on the dynamics of the population. Immigration leads to the mixing of different ethnic groups, resulting in evolving a new nation (Rakovsky, S. Demographic encyclopedic dictionary). 2. Is the resettlement of citizens of one state in another country for permanent residence or for a long time. Immigration is not considered short-term business or tourist trip. The reason for immigration are the push factors and pull. The push factors can be poverty or persecution in the country where migrants leave; pull factors can be economic opportunities or freedom in the country to which they are directed (Economy. Explanatory dictionary. (2000). M.: INFRA-M"Publishing house "the Whole World"). 3. enter the country for temporary or permanent residence of citizens of other countries (Raizberg B.A., Lozovsky L.S. & Starodubtseva.E.B. (1999). The dictionary of Modern Economics. - 2nd ed., Corr. M.: INFRA-M).

International Labour Migration: 1. Is associated with moving to a permanent place of residence from one country to another (Demographic conceptual dictionary. (2003). Ed. by Rybak, A. the Center for social forecasting. M., 2003). 2. Is regulated by the Convention on the protection of the rights of all migrant workers, adopted by the UN General Assembly in resolution 45/158 of 18 April 1990, which

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defines the term "migrant worker" as a person who is to be engaged, is engaged or has been engaged in a remunerated activity in the state of which he or she is not (Yudina, T. (2005). Sociology of migration). 3. Is a process cross-country movements of the labour force and specialists, acting as one of the sources of staffing of the economy (Parikova N. V. (2012). Foreign labour migration as a factor of regional economic development). 4. Migration represents a set of movements of people crossing the state border associated with employment and job search. Labour migration may be motivated by the desire to change the parameters of their own workplace and external to the residence conditions: socio-cultural, housing, environmental, climatic and other (Ivakhnyuk I. V. (2005). International labour migration, Moscow).

Labour Migration: 1. A set of displacements of the various social groups to implement their economic activities, the limited duration of the contract, agreement, resolution (Prudnikova T. A.(2007). International legal regulation of labour migration / Moscow). 2. Represents one of the conditions for the normal functioning of society, which can be achieved optimal allocation of labor resources in the country, which contributes to the equalization of the levels of economic development of the regions, overcoming socio-economic and cultural differences between urban village (Perevedentsev V.I. (1990). Methods study population migration. Moscow: Nauka). 3. Is an objective process of moving frames, which is inextricably linked with the development of the productive forces and production relations (Maslova I.S., 1976. Economic issues the reallocation of labour under socialism, Moscow).

Migration: 1. Is the process of spatial movement of the population, leading to its territorial redistribution. The actual migration from one area to another (in some countries registration in the new place of residence), the connection of a new residence with the sphere of employment, or study, or other activity) (Migrationology / Modern approaches to defining the essence of the concept "migration" //http://isfic.info/migran/). 2. Migration can be considered in a broad sense as the totality of any movement of people in space and in a more narrow sense, as a set of migrations of people connected with the change of their place of residence for a relatively long period of time (Perevedentsev V.I. (1975). Methods of studying the migration of the population. Moscow).

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Chapter 16
An Endogenous Switching Model to Poverty Dynamic Assessment in Tunisia: A New Proposal

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ABSTRACT

This paper focus on the determinants of poverty dynamics in Tunisia by performing a two-stage endogenous model using a Bayesian algorithm to avoid missing data. Based on this approach author show that panel data analysis can be performed through potential variables such presented by the work of Donald B. Rubin. This contribution is rather empirical; researcher propose a method based on the concept of causal inference that enable to execute a panel data model using independent surveys. As the author assert the dependence between poverty status over time, they choose to use an endogenous switching model take into consideration the form of endogeneity caused by initial condition.

1. INTRODUCTION

Reducing poverty is a serious challenge for all countries. Over the last decade, the dynamics of poverty has been the subject of many empirical researches (Bane and Ellwood, 1986).

Generally, those who are experienced poverty cannot escape from his trap. Many economists have tried to find the origin of persistent poverty (Azariadis, 1996; Barrett & Swallow, 2006; Cappellari & Jenkins 2004), and wondered if we are poor because we are born poor or we are become poor over time. The literature present several explanations. Mainly, the failure of the economic systems, the weakness of the education programs, that may limit the opportunities to have a decent job and causes a higher unemployment rates, and exogenous shocks (Aliber, 2003). In the development countries, the weakness of infrastructure such as roads and communication, may limit poor people to have access to information or to the labor markets.

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In particular, in Tunisia, government has implemented public policies to improve economic growth and to fight against poverty. As a consequence, the real consumption per capita has increased to hit 3.31 percent at 2005 and 2.5 at 2010 (2005 as base). The INS[1] report argue that poverty has increased face to a stable Gini index (36%) but considered very higher relative to other emerging countries. Despite this progress, poverty and inequalities between regions is one among the causes of the Tunisian revolution. A better identification of poverty leads to a better policies of fighting against poverty. Unfortunately, in Tunisia like the most developing countries, the knowledge of the group that belong to the poor class in developing countries is not entirely clear task. Lack of survey data necessary to analyze the patterns of income in the long term is a key reason to adopt a new methodology. For these reasons, studies on poverty dynamics in Tunisia are scarce. Among the few searches on Tunisia, we cite the work of Ben Rejeb (2008) who used pseudo-panel approach to estimate the permanent expenditures. In addition, Jmaii and Belhadj (2016) used fuzzy approach to run a dynamic analysis based on the Jalan-Ravallion framework.

In this paper, author propose a new approach based on multiple imputation and causal inference (Rubin, 2004). The methodology enable to compute a poverty rates that can reflect the real situation of poverty in Tunisia. Following the work of Rubin (2004) and based on Bayesian statistics, each variable was imputed from the observed data, taking into account the uncertainty associated with each step in the imputation process. Each complete base, thus generated, provides an estimate of the parameter of interest, and then a single estimator is obtained by calculating the mean of these estimates. Concretely, this paper study the determinants of poverty dynamics by individual socio-demographic characteristics considered stable over time.

The rest of the paper is structured as follows. Section 2 exposes methodology of the proposed approach. Section 3 presents the chosen model. In section 4, we detailed the data and the variables. Results are presented in the fifth section. Finally, section 6 concludes.

2. METHODOLOGY OF THE PROPOSED APPROACH

2.1. Potential Variable With Missing Data

Missing data is an unavoidable problem in the practice of statistics. Donald Rubin has formalized a causal model that allows to identify the assumptions that are necessary to support an observational study is similar to an experimental study (Rubin, 1987; Imbens & Rubin, 2009).

Rubin counterfactual model is based on two basic concepts: the causal statements and potential responses. Causal statements are also called treatment in the tradition of the counterfactual causal analysis. Each unit of analysis of a study should potentially be found in any of the examined causative states. In practice, this approach is close to the matching method in which researchers apply a treatment to a group in order to compare it with another group that did not receive the treatment. In fact, random assignment of an experiment ensures that each unit of analysis will be potentially found in a causal statement (Little and Rubin, 2014). Conceptually, fifty percent of the information are not observable to be able to estimate the causal effect. This is a missing data problem. This inability to observe two causal statements, simultaneously, for the same unit of analysis was named the fundamental problem of causal inference (Holland, 1986). According to this approach, and in the context of our analysis, panel data can be treated as a causal inference problem and a particularly case of missing data problem.

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2.2. Pretreatment Step With Amelia Multiple Imputation Algorithm

Many alternative methods of missing data have been proposed and applied for the imputation of database. The first one is the Fully Conditionally Specified Models (FCS). This method is based on a modified version proposed by Gibbs sampler (White, Royston and Wood, 2011). Than a Bayesian algorithm was implemented in the package MI of the software R (Su, Yajima, Gelman and Hill, 2011). However, according to Van Buuren, Brand, Groothuis-Oudshoorn, and Rubin (2006) this approach has some theoretical weakness. Essentially, the incompatibility of the conditional densities. Hence, the appearance of the AMELIA package which is implemented in R. This algorithm represents a modified multivariate normal version, which takes into consideration the specified clustering of observations (Honaker and King, 2010).

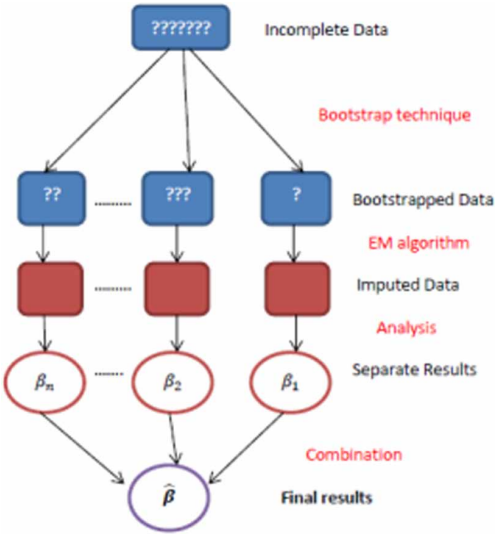
Recently, James Honaker et al. (2011) have developed a more complete algorithm AMELIA II of multiple imputation program. The model is based on an assumption of normality $I \sim N_k\left(\mu,\Sigma\right)$, and therefore it requires some preliminary transformations of data. The EMB2 algorithm of Amelia II combines the classic EM algorithm with a bootstrap approach. For each draw, the data are estimated by bootstrap in order to simulate the uncertainty, and then the EM algorithm is executed to find the posterior estimate $\hat{\gamma}_{MAP}$ for bootstrapping data (see Figure 1).

3. THE SWITCHING ENDOGENOUS MODEL

3.1. Choice and Modeling

The main idea of our paper is that present poverty status depends from the past poverty. However the expected correlation over time between unobservable will then cause a sample selection bias created by the called "initial conditions problem" (Heckman, 1978). Among many solutions to solve, the problem

Figure 1. AMELIA II of multiple imputation program



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is the use of a recursive bivariate probit model (Roodman, 2011) that assume the existence of a correlation between the two-probit equations distribution of poverty (Newman and Canagarajah, 2000). Moreover, an alternative solution is to use an endogenous switching model (Miranda and Rabe-Hesketh, 2006; Wilde, 2000) which takes into account the endogeneity and dynamic (Azar, 2012) of the dummy explanatory variable. In fact, sample selection problem and endogenous switching are among the most known problems in the economics and statistics literature. This problem exists because the standard estimation techniques enable to correct the bias caused by the correlation of unobserved factors with the unobserved factors caused by the switch process (Heckman, 1978).

In the endogenous problem, the response p_{it} linked to the ith individual at time t is observed. We assume that the present poverty status p_{it} depend on the past poverty $p_{i-1,t}$, which is an endogenous dummy variable, and a vector (K × 1) of other explanatory variables, Xi (we include the constant term). We define $p_{i-1,t}$ similar to p_{it} with S × 1 vector of explanatory variables, Zi. author assume that the two vectors Zi and Xi could contain the same elements.

We were inspired from the works of [15] to formulate our model as an equation system for two unobserved (i.e., latent) responses. Following the reasoning of [5] and using a bivariate probit model, we assume that p_{it} is distributed as follow:

$$p_{it}^{*} = X'_{it}\beta + \alpha p_{i,t-1} + \varepsilon_{it} \tag{1}$$

where p_{it}^{*} is unobserved continuous variable, β represent the parameters of the model (to be estimated), α represents the associated coefficient of our endogenous dummy variable $p_{i-1,t}$, ε_{it} the error term, and p_{it} is a dummy variable that can take e value 1 if $p_{it}^{*} \succ 0$ and 0 otherwise.

Similarly, the switching equation is specified as:

$$p_{i,t-1}^{*} = Z'_{i,t-1}\theta + v_{i,t-1} \tag{2}$$

Same as Equation (1), $p_{i,t-1}^{*}$ is unobserved continuous variable, θ is the vector of parameters, and $v_{i,t-1}$ represent the residual term. To deal with the suspected endogenous of the variable, author use endogenous switching model to avoid the sample bias.

Moreover, this model enable to calculate an auto-correlation term (ρ) to test the robustness of the proposed model. $p_{i-1,t}$ is considered as exogenous (in Equation 1), if and only if $\rho = 0$. In this case, a sample probit regression can gives consistent estimators for the parameters of the model. However, if $\rho = 0$, this ordinary regression gives inconsistent estimators, evidently, because $p_{i-1,t}$ is correlated to ε_{it}.

In fact, the model describes two status of poverty: the "basis poverty" and the "poverty transition." Then we can rewrite the model as follow:

$$\text{Basis poverty } p_r\left(p_{i,t-1}\right) = \varphi\left(z_{i,t-1}, \theta\right)' \tag{3}$$

$$\text{Transition poverty } p_r\left(p_{it} = 1 / p_{i,t-1} = 1\right) = \varphi\left(\left[p_{i,t-1}\beta_1 + \left(1 - p_{i,t-1}\right)\beta_2\right]X'_{it}\right) \tag{4}$$

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3.2. State Dependence

This study follows the works of Cappellari and Jenkins (2004) to distinguish between Aggregate State Dependence (ASD) and True State Dependence (TSD). The first one (ASD) does not take into account the individual heterogeneity. It represents the difference between the conditional probability of being poor at time t given that it was poor at t-1, and the conditional probability of being poor at time t given that it was not poor at t-1. Actually, it represents the difference between poverty persistence and poverty transitory (entry):

$$ASD = \frac{\sum_{s\in(p_{st-1}=1)} p_r\left(p_{st}=1 \setminus p_{s,t\text{-}1}=1\right)}{\sum_s p_{s,t\text{-}1}} - \frac{\sum_{s\in(p_{st-1}=0)} p_r\left(p_{st}=1 \setminus p_{s,t\text{-}1}=0\right)}{\sum_s \left(1 - p_{s,t\text{-}1}\right)} \quad (5)$$

On other hand, we measure the TSD as the rising probability of being poor on t caused by the poverty on t-1, with control to the individual heterogeneity. The chosen model assume that each component of X_{it}' (in the transition equation) may present a various impact on the status of poverty on "t" conditionally to poverty status on "t-1":

$$GSD = N^{-1} \sum_{i=1,\ldots n} \left[\hat{p}_r\left(p_{it}=1 \setminus p_{i,t-1}=1\right) - \hat{p}_r\left(p_{it}=1 \setminus p_{i,t-1}=0\right)\right] \quad (6)$$

4. DATA SOURCE AND VARIABLES DEFINITION

To analyze poverty dynamics in Tunisia, we chose households consumption surveys, INS for 2005 and 2010 as the source of the used databases. In the two period, individuals who were born in specific years (for example, 1984-1975, or who are 21 to 30 years old in 2005), and had some observed household characteristics were selected. Within our methodology, household's heads as well as their partners, their children and other dependents and relatives have been considered. The main idea of the proposed methodology is that we impute potential variables to panelized the used database through a Bayesian algorithm. Evidently, to impute these variables, researcher need some characteristics linked to the individuals:

- **Generation (4):** People who were born between 1984 and 1975, between 1974 and 1965, between 1964 and 1955, or between 1954 and 1945;
- **Sex (2):** Man or Woman;
- **Education (4):** Illiterate, Primary level, Secondary level and High level;
- **Areas (6):** Urban Greater Tunis, Rural Greater Tunis, Urban East, Rural East, Urban West, Rural West;
- **Employment [4] (4):** Inactive, Salaried, Independent, and Unemployed.

Proceeding from the current literatures, we assume that individuals who were poor in 2005 and remain poor in 2010, after five years, are chronically poor.

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Descriptive statistics show that woman dominate the sample with a percentage of 53.8%. Those individuals who were born between 1984 and 1975 represents 31.5% of total sample, following by those who were born between 1974 and 1965 by 27.4%, those who were born between 1964 and 1955 represents 24.9% and finally those who were born between 1954 and 1945 represents 16.1% (see Table 1).

Illiterate Individuals represent 21% of total sample and those who have a primary educational level represents 38.6%. Individuals who have secondary educational level represents 29.4% and those who have a higher educational level represents 10.7%.

Our statistics highlight the large size of urban East, at the two years, compared to other regions (27.8% at 2005 and 28.9% at 2010), followed by the great Tunis at 2005 by 18.9% but at 2010 it is the urban west by 19.5% than the other regions. In this paper, total expenditure is taken as a standard of living indicator. Indeed, consumption expenditure are further characterize by their stability over time compared to income fluctuations. They provide information about the degree of satisfaction that comes from the consumption of good and services.

Table 1. Statistic descriptive of the imputed data

Parameters	Mean	Parameters	Mean
sex		Employment2010	
men	0.461	Inactive	0.434
Women	0.538	Salaried	0.214
Generation		Independent	0.275
born between 1984 - 1975	0.315	unemployed	0.075
born between 1974 - 1965	0.274	Region2005	
born between 1964 - 1955	0.249	Urban Great Tunisia	0.189
born between 1954 - 1945	0.161	Rural Great Tunisia	0.043
Education		Urban East	0.278
Illiterate	0.210	Rural East	0.161
primary level	0.386	Urban West	0.179
secondary level	0.294	Rural West	0.147
higher level	0.107	Region2010	
Employment2005		Urban Great Tunisia	0.184
Inactive	0.392	Rural Great Tunisia	0.039
Salaried	0.165	Urban East	0.289
Independent	0.379	Rural East	0.158
unemployed	0.062	Urban West	0.195
		Rural West	0.132

Source: author computing based on INS data

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5. RESULTS AND INTERPRETATIONS

According to the Student test, the auto-correlation coefficient ρ is statistically significant with a p-value different of zero. This is mean that an individual how was poor in 2005 has a higher probability to be poor in 2010.

With regard to the generation variables, we found that all coefficients are statistically significant and negative for the older generation. This sign indicates that the probability of being poor is greater for younger individuals. These individuals are less likely to be initially poor than the other generation. This find might be explained by the fact that this generation was more formed in terms of education system compared to others. As a result, they had more chance of having an employment than others.

Regarding to the educational level effects, we point the similar probabilities for both chronic and transient poverty for individuals whose educational level is primary or illiterate. These groups might suffer from periodical changes in their status.

Results show also that Genuine State Dependence (GSD) explains 11 per cent of poverty during the analyzed period. This prove that observed poverty depends on the past of poverty state after controlling individuals heterogeneities.

Finally, our study shows that around 61 per cent of total observed poverty (0.49) is due to the origin of a stationary propension of poverty (i.e. Chronic condition) while 39 per cent coming from transient poverty. When we compare different poverty lines, we highlight similar results (see Table 2).

Table 2. Switching model results

Explanatory Variables	Transient Poverty		Initial Condition		Chronic Poverty	
	Marg. Effect	Coef.	Marg. Effect	Coef.	Marg. Effect	Coef.
sex: Male	-0.0222	-0.0567*	0.0002	0.0055	-0.0020	0.0045
Employment (inactive as reference)						
Salaried	0.0417	0.1548*	0.0064	0.0064	0.0049	0.0050
Independent	-0.0512	-0.1575*	0.0594	0.0065*	0.0474	0.0055*
unemployed	0.0088	0.0251*	0.0402	0.0102*	0.0308	0.0076*
Education: (illiterate as reference)						
Education level: primary	-0.0556	-0.1555*	-0.003	0.0077	-0.0068	0.0066
Education level: Secondary	-0.1234	-0.3152*	-0.038	0.0096*	-0.0455	0.0079*
Education level: higher	0.1742	-0.4190*	-0.107	0.0115*	-0.1069	0.0084***
Areas (urban Greater Tunis as reference)						
Rural Greater Tunis Tunisia	0.0199	0.064	0.1207	0.0158*	0.0938	0.0128*
urban East	0.0266	0.072*	-0.027	0.0078*	-0.0194	0.0058*
Rural East	0.0929	0.357*	0.1485	0.0097***	0.1169	0.0090*
urban West	0.0674	0.248*	0.0734	0.0089*	0.0556	0.0070*
Rural West	0.1777	0.723*	0.2462	0.0091*	0.2031	0.0101*
Generation (First generation as reference)						
Second generation:	-0.0028	-0.034	0.0496	0.0071*	0.0416	0.0059*
Third generation:	0.0144	0.051**	0.0115	0.0074*	0.0089	0.0060
Fourth generation:	-0.0065	0.036	-0.042	0.0081*	-.0398	.0062*

ρ -0.1892, p<0.000, Number of observation: 51492, ASD 0.1066, GSD 0.0870

Source: author computing based on the imputed data, significances codes: *p<0.05, **p<0.01 and ***p<0.001

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6. CONCLUSION

Most works on poverty dynamics, in developing country, consisted in measuring and identifying correlated variables to chronic and transient poverty. To execute such analysis panel data are recommended. However, in most developing countries, lack of survey data necessary to analyze the patterns of consumption in the long term is the reason for the scarcity of work on poverty dynamics. As a result, researchers are not able to conduct an ex-post dynamic analysis of poverty. In this paper author, propose a new approach enable to panelized the database through Rubin causal model. We use a Bayesian algorithm enable us to impute potential variables and then to run a switching endogenous probit model. The importance of this model is that it takes into account the endogenous nature of poverty.

Based on consumer household surveys for the two year 2005 and 2010, in Tunisia, this work has yielded several results that would help to better understand the phenomenon of poverty dynamics, its contours and its determinants. Poverty in Tunisia is mostly chronic (62%). Individuals how live in rural west are the most vulnerable. Results show also that, ceteris paribus, a higher level of education increases the probability of escaping from poverty.

In sum, the importance of this paper is the estimate of the poverty dynamics components through a new approach, which allow executing a panel data analysis even when we have independent surveys. With regard to results, it appears that causal inference may be a good tool of measuring poverty. All these finds are encouraging in terms of public policy since it suggests a new approach to poverty dynamics analysis in the case of non-panelized data, but they still insufficient and requires deepening.

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ENDNOTES

1 Tunisian national institute of statistics.

2 The classic algorithm of maximum of likelihood (Dempster, Laird, & Rubin, 1977).

3 Individuals without family link such us guests, family employees or ever relatives of this employees that living with the household were excluded (according to the classification of the INS.

4 We did not detail the sector of activities because using a wide sector is not within the scope of our study.

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Chapter 17
FDI, Urbanization, and Economic Growth Linkages in India and China

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ABSTRACT

The rapid urbanization and economic growth during new round of globalization is largely due to the flows of Foreign Direct Investment (FDI). In this context the objectives of this chapter is to analyze the causality and linkage among urbanization, GDP and foreign direct investment in China and India with the help of secondary data from 1979 to 2012. It focuses on determinants and pattern of FDI flow in China and India. The study observes a significant positive correlation between urbanization and flow of FDI to a particular region both in China and India. The rate of growth of FDI is significantly influenced by rate of growth of urban population at 10 per cent level of significance and by rate of growth of per capita GDP at 1 percent level of significance. The study also highlights the causality and linkage between urbanization and FDI inflow with evidences from China and India.

INTRODUCTION

Foreign direct investment is a direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country. It has strong linkages with economic growth and urbanization of a country. Urbanization plays a huge role in stimulating growth of a country. China has developed tremendously after the country launched its reforms and adopted its open door policy in 1978. For three decades, China has gained a two-digit annual growth rate on average when it gradually deviated away from the traditional doctrines of a central-planned economy and put into practice the market oriented economy. With the rapid economic development, cities, as centers for economic activities, have been expanding at an unprecedented speed. Urbanization in China has taken on new dimensions as a result of increasing globalization since introduction of economic reforms. The urban growth and other economic activities during new round of globalization can be measured largely

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by the inflows and outflows of Foreign Direct Investment (FDI) which has become one of the driving forces binding countries into closer economic interdependence, and it continues to expand. The rapid increase in FDI flows has generated considerable impact on industrialization and urbanization in China. The role of foreign direct investments in the growth and urbanization of China and India has captured the attention of many researchers and analysts. China has historically attracted more FDI than India as a share of GDP, particularly in the early stage of its economic transformation. China achieved a significant growth rate of over 9 percent per year during 1990 to 2010 which was highest in the world during that period. This achievement was mainly due to adoption of radical changes and huge inflow of FDI to Chinese cities. China used to be one of the most closed economies in terms of policy toward foreign investment and external debt. Starting from virtually no foreign-owned firms on Chinese soil before 1979, China has now become one of the largest developing host countries for foreign investment. The coastal region enjoys more growth than inland region and most of the FDI (84 per cent) in China is invested in coastal region due to higher urbanization (Heid & Ries, 1996). China's need for FDI was related to its export oriented industrial structure – for example, it created special economic zones to attract foreign investment by exempting investors from regulations applicable elsewhere in China. There exist significant positive correlation between urbanization and flow of FDI to a particular region both in china and India. In this context, the objective of the present study is to analyze the causality and linkage between urbanization and FDI inflow with evidences from China and India.

REVIEW OF LITERATURE

There is plethora of literature and research studies on relationship among urbanization, inflow of FDI and GDP growth rates. Henderson (2000) in his study mentioned that cities are becoming the focal points of global and national economies. The evolution of the economic geography of developing countries in the process of urbanization has followed an urban growth pattern that differs from that of earlier industrializing countries, which urbanized much slowly. Yusuf, Altaf, and Nabeshima (2000) stated that the prominent contributors to successful urbanization include specialization in innovative or income elastic economic sectors, favorable national government policies in such areas as investment and infrastructure, economic development leadership from local public or private sectors, flexibility and openness toward new and emerging industrial ensembles. China's urban policy has shifted with the economic boom since 1979. Georgieva (1998) mentioned that the efforts to integrate investment and environmental policies are helped by the growing realization that the environmental and financial crises in developing countries have shared roots and responses. Gentry are an optimistic promoter for FDI; in his conclusion he shows that only FDI can meet the need for environmental infrastructure (Graham, 2000). Chen, Chang and Zhang (1995) study the effect of FDI on China's output and found that the FDI has a positive impact on the output growth between 1978 and 1990. Using cross-country data, Wei (1995b) found that despite the large amount of FDI China has received in recent years, the country still appears to host too little FDI compared to an 'average' host country. Heid and Ries (1996) study 931 joint ventures in 54 cities from 1984 to 1991. They intentionally exclude investments by overseas Chinese (Hong Kong, Macau, Singapore) which probably have a different set of location determinants due to familial, linguistic, and cultural ties. Their conditional logit regression shows that cities with good infrastructure, established industrial base and foreign investment presence are more attractive to investors. Wei (1995a) also looked

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at individual cities. He found clear evidence that in the late 1980s, FDIs contribute to higher growth of the cities.

Kinoshita (1998) examined the data from a special survey conducted by the World Bank in 1992 on 468 firms in eight cities in China (six located in coastal provinces and two in inland cities). She investigates the possible effects of FDI on improving a firm's total factor productivity during the 1990–1992 periods. She finds no evidence that foreign investment helps increase the productivity growth of local firms via foreign joint ventures, foreign linkages, and the mere presence of foreign firms in the industry. Hence, she concludes that opening up to foreign investments is not sufficient for a country to benefit from foreign technology spillovers. Branstetter and Feenstra (1999) have an interesting working paper, which does look at FDI in China at the provincial level. However, their focus is different. They use 29 provincial data over the period 1984–1995 to estimate the structural parameters of government's welfare function. They want to examine the tradeoff between the benefits of increased trade and FDI against the losses incurred by state-owned enterprises as a result of such liberalization. Indeed, they observe that the government places much heavier weights on the output of the state-owned enterprises than on consumer welfare, although such preference has declined somewhat over time. They hence post skepticism on China's entering into the WTO. Similar to the study is a paper by Cheng and Kwan (1999). They look at data from 29 provinces from 1986 to 1995 and observe agglomeration effects of foreign capital stock. However, there is an important fact that none of these studies has taken into account the scale of FDI and that is the big differences in the scale and nature of FDIs in the 1980s and the 1990s. In his important paper, Naughton (1996) points out the critical role that Hong Kong and Taiwan has played on the FDI in Guangdong and Fujian provinces, especially in the 1980s and early 1990s.

OBJECTIVE OF THE STUDY, DATA SOURCES AND METHODOLOGY

The objective of the study is to analyze the trend of FDI in China and India and linkage with urbanization and GDP. It also investigates the determinants of flow of FDI and compares policy related to foreign direct Investment in India and China. The study is based on secondary data collected from Chinese statistical Year Book, Economic Survey, India, Reserve Bank Database and various websites. The statistical methods like mean, t test, regression and econometric methods like Vector auto regression, and graphical methods of bar diagram and line graphs are used for analysis.

URBANIZATION, FDI AND GROWTH IN CHINA FROM 1979 TO 2010

China was one of the most closed economies in terms of policy toward foreign investment and external debt till 1978. Before 1979, virtually no foreign-owned firms were operating in China, nor did China have many external loans. Chinese leaders used to take pride in this fact. The foreign aid volunteered by foreign governments or international organizations was viewed with suspicion. For example, after the great 1976 earthquake in Tangshang, the Chinese government refused an aid offer from the International Red Cross. This attitude toward foreign money took a dramatic turn in 1979 when Deng Xiaoping introduced economic reform and initiated the "open door policy." Several factors contributed to this change. Two primary ones are (1) the disastrous economic performance under rigid central planning before 1979 and (2) the glittering examples of Japan and the four Asian "tigers," particularly Hong Kong and Taiwan.

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Foreign capital going into China mainly takes the form of loans. In 1991, the value of FDI was slightly more than 60 percent of that of loans. Over the period 1990-91, the single fastest growing item in non-FDI foreign capital inflow was, in fact, portfolio investment in the form of Chinese bonds and equities purchased by foreigners. The urban population, FDI and per capita GDP growth are given in Table 1.

Table 1. Urban population, FDI and GDP in China from 1979 to 2011

Year	Urban Population (Million)	Urban Residents as Percent of Total	Growth Rate of Urban Population (Percent)	Actual FDI (In Million USD)	FDI Growth Rate (Percent)	Per Capita GDP Growth
1979	184.98	18.96	7.27	109	72.87	7.6
1980	191.40	19.39	3.47	195	78.89	7.8
1981	201.71	20.16	5.39	375	92.31	5.2
1982	214.80	21.13	6.49	470	25.33	9.1
1983	222.74	21.62	3.69	636	35.32	10.9
1984	240.17	23.01	7.83	1258	97.79	15.2
1985	250.94	23.71	4.48	1661	32.03	13.5
1986	263.66	24.52	5.07	1874	12.82	8.8
1987	276.74	25.32	4.96	2314	23.48	11.6
1988	286.61	25.81	3.57	3194	38.03	11.3
1989	295.40	26.21	3.07	3392	6.20	4.1
1990	301.91	26.41	2.20	3487	2.80	3.8
1991	305.43	26.94	1.17	4366	25.21	9.2
1992	323.72	27.46	5.99	11007	152.11	14.2
1993	333.51	27.99	3.02	27515	149.98	13.5
1994	343.01	28.51	2.85	33767	22.72	12.6
1995	351.74	29.04	2.55	37521	11.18	10.5
1996	373.04	30.48	6.06	41725	11.20	9.6
1997	394.49	30.91	5.75	45257	8.46	8.8
1998	416.08	33.35	5.47	45463	0.46	7.8
1999	437.48	34.78	5.14	40319	-11.31	7.1
2000	459.06	36.22	4.93	40715	0.98	8.0
2001	486.04	37.66	5.88	46875	15.13	8.3
2002	502.12	39.09	3.31	52700	12.43	9.1
2003	523.76	40.53	4.31	53505	1.53	10.0
2004	542.83	41.76	3.64	60630	13.32	10.1
2005	562.12	42.99	3.55	72406	19.42	9.9
2006	577.06	43.90	2.66	72715	0.43	11.1
2007	593.79	44.94	2.89	83521	14.86	11.4
2008	606.67	45.68	2.17	108312	29.68	9.6
2009	628.02	46.59	3.52	94065	-13.15	8.7
2010	665.57	49.90	5.98	114734	21.97	10.4
Mean	395.38	31.71	4.32	34565.09	45.23	9.64
SD	151.89	9.09	1.61	34624.04	25.67	2.59

Source: Chinese Statistical Year Book, various Years and Author's Calculation and www.fdi.gov.cn

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The urban population was only 184.98 million in 1979 which increased to 665.57 million in 2010 with average growth rate of urban population of 4.32 per cent per year. The total FDI in China was only 109 million USD in 1979 which increased significantly to 114734 million USD in 2010. The average FDI growth rate was 45.25 per cent which contributed significantly to industrialization and urbanization. FDI had negative growth in 1999 and 2009. The average real per capita growth rate was 9.64 per cent which is highest compared to all countries of the world during the same period.

Granger Causality Wald test was conducted to test the causality among rate of growth of FDI, rate of growth of urban population and rate of growth of per capita GDP. It was found that the rate of growth of FDI is significantly influenced by rate of growth of urban population at 10 per cent level of significance and by rate of growth of per capita GDP at 1 per cent level of significance.

The bar diagram shows the trend of urban population from 1979 to 2010. The Figure-1 indicates that there was rapid increase in urban population in recent years.

The bar diagram (Figure 2) of FDI inflow to China indicates that there was less growth of FDI during 1994 to 2000 but it increased significantly in recent years reaching 114734 million USD in 2010.

Figure 1. Urban population (million) from 1979 to 2010

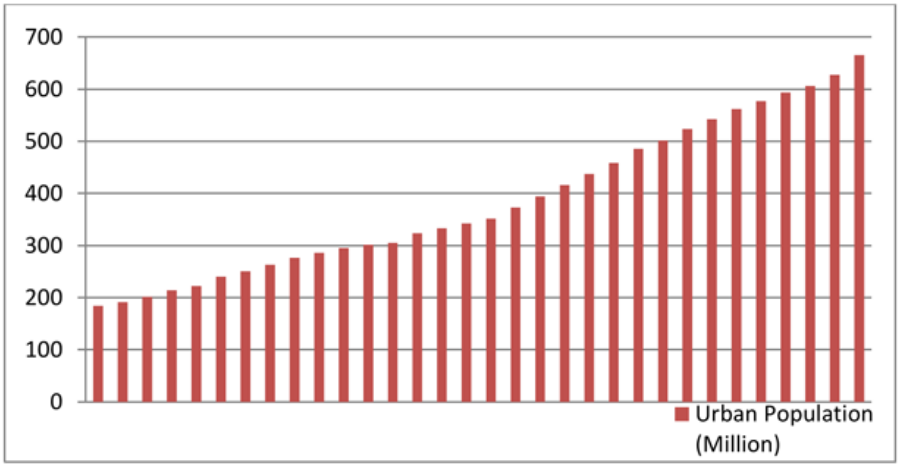
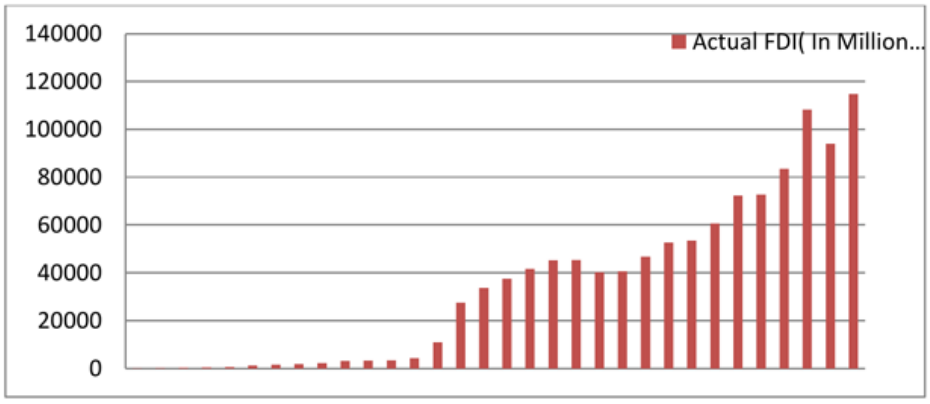


Figure 2. Actual FDI inflow to China (in million USD)



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Least Square Trend of Urban Population

The trend of urban population and FDI in China was calculated through least square equation as stated below.

$U_t = a + b\ t + €$

$U_t = 131.61 + 15.56\ t$ where U_t = Urban Population in China at time t

(t = 35.24, SE= 0.44 and $R^2 = 0.98$)

There is significant positive slope and coefficient and urban population increases at high rate every year.

Least Square Trend of FDI to China from 1979 to 2010

$F_t = a + b\ t + €$ Where F_t = Foreign Direct Investment at time t

The trend equation with help of data is stated below

$F_t = -22855.99 + 3480.07\ t$

FDI has also positive and significant trend with large coefficient of 3480.07.

URBANIZATION AND FDI LINKAGE

Urbanization and FDI are closely interlinked. In China FDI was initially invested in four cities having special economic zones which promoted urbanization there. The proportion of the population in urban centers increased with development driven by investment of FDI (The World Bank, 1999). Hence a linear regression was done with secondary data as shown below.

Urban population = F (FDI)

$U_t = a + b\ F_t + €$

The result from time series data is as follows

$U_t = 247.38 + 0.004\ F_t$

(t = 19.09, SE = 0.0002, $R^2 = 0.92$)

The regression coefficient 0.004 is positive and highly significant as t value is obtained as very high, 19.09.

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Since there are two way relations between urbanization and FDI, a linear regression was conducted with FDI as a function of urbanization. The coefficient (230.15) is positive and significant.

$F_t = a + b\ U_t$

The results from data from 1979 to 2010 are as follows

$F_t = -54305.75 + 230.15\ U_t$

$(t = 19.23, SE = 12.06, R^2 = 0.92)$

The FDI and per capita GDP are two significant determinants of urbanization. Urban Population was considered as a function of both FDI and Per capita GDP.

The function is as follows

Urban Population = F (FDI and GDP)

The result of regression is as follows

$U_t = 119.26 - 0.0016\ F_t + 0.11\ G_t$ Where G_t = Per Capita real GDP

Mackinnon P value Z (t) = 0.99

The regression coefficients are also significant.

Vector auto Regression (BASIC VAR) was also conducted to include lagged variables in the regression equation. It was observed that growth rate of urban population in the previous year has significant influence on growth rate of FDI in the current year. (P value=0.037). The coefficient is significant at 5 percent level of significance.

FOREIGN DIRECT INVESTMENT IN INDIA

Economic reforms by Indian government in 1991 makes the country as one of the prominent performer of global economies by placing the country as the 4th largest and the 2nd fastest growing economy in the world. India also ranks as the 11th largest economy in terms of industrial output and has the 3rd largest pool of scientific and technical manpower. Continued economic liberalization since 1991 and its overall direction remained the same over the years. Hence FDI in India has increased manifold since 1991 irrespective of the ruling party over the years, as there is a growing consensus and commitments among political parties to follow liberal foreign investment policy so that sustained economic growth can be achieved. Further, in order to study the impact of economic reforms and FDI policy on the magnitude of FDI inflows, quantitative information is needed on broad dimensions of FDI and its distribution across sectors and regions. The IT industry is one of the booming sectors in India. At present India is the leading country pertaining to the IT industry in the Asia -Pacific region. With more international companies entering the industry, the Foreign Direct Investments in India has been phenomenon over the year. The

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rapid development of the telecommunication sector was due to the FDI inflows in form of international players entering the market and transfer of advanced technologies.

FDI inflows to India remained sluggish, when global FDI flows to emerging market economies (EMEs) had recovered in 2010-11, despite sound domestic economic performance ahead of global recovery. FDI inflows to India witnessed significant moderation in 2010-11 while other EMEs in Asia and Latin America received large inflows. This had raised concerns in the wake of widening current account deficit in India beyond the perceived sustainable level of 3.0 per cent of GDP during April-December 2010. This also assumes significance as FDI is generally known to be the most stable component of capital flows needed to finance the current account deficit. Moreover, it adds to investible resources, provides access to advanced technologies, assists in gaining production know-how and promotes exports. A perusal of India's FDI policy vis-à-vis other major (EMEs) reveals that though India's approach towards foreign investment has been relatively conservative to begin with, it progressively started catching up with the more liberalized policy stance of other EMEs from the early 1990s onwards, inter alia in terms of wider access to different sectors of the economy, ease of starting business, repatriation of dividend and profits and relaxations regarding norms for owning equity. This progressive liberalization, coupled with considerable improvement in terms of macroeconomic fundamentals, reflected in growing size of FDI flows to the country that increased nearly 5 fold during first decade of the present millennium.

Though the liberal policy stance and strong economic fundamentals appear to have driven the steep rise in FDI flows in India over past one decade and sustained their momentum even during the period of global economic crisis (2008-09 and 2009-10), the subsequent moderation in investment flows despite faster recovery from the crisis period appears somewhat inexplicable. With the tripling of the FDI flows to emerging economies during the pre-crisis period of the 2000s, India also received large FDI inflows with its robust domestic economic performance. The attractiveness of India as a preferred investment destination could be ascertained from the large increase in FDI inflows to India, which rose from around US$ 6 billion in 2001-02 to almost US$ 38 billion in 2008-09. The significant increase in FDI inflows to India reflected the impact of liberalization of the economy since the early 1990s as well as gradual opening up of the capital account. As part of the capital account liberalization, FDI was gradually allowed in almost all sectors, except a few on grounds of strategic importance, subject to compliance of sector specific rules and regulations. The large and stable FDI flows also increasingly financed the current account deficit over the period. Due global recession in 2008, when there was a significant deceleration in global FDI flows during 2009-10, the decline in FDI flows to India was relatively moderate reflecting robust equity flows on the back of strong rebound in domestic growth ahead of global recovery and steady reinvested earnings (with a share of almost 25 per cent) reflecting better profitability of foreign companies in India. However, when there had been some recovery in global FDI flows, especially driven by flows to Asian EMEs, during 2010-11, gross FDI equity inflows to India witnessed significant moderation. Gross equity FDI flows to India moderated to US$ 20.3 billion during 2010-11 from US$ 27.1 billion in the preceding year. FDI in India mainly flowed into services sector (with an average share of 41 per cent in the past five years) followed by manufacturing (around 23 per cent) and mainly routed through Mauritius (with an average share of 43 per cent in the past five years) followed by Singapore (around 11 per cent). However, the share of services declined over the years from almost 57 per cent in 2006-07 to about 30 per cent in 2010-11, while the shares of manufacturing, and 'others' largely comprising 'electricity and other power generation' increased over the same period. Sectoral information on the recent trends in FDI flows to India show that the moderation in gross equity FDI flows during

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2010-11 has been mainly driven by sectors such as 'construction, real estate and mining' and services such as 'business and financial services'.

There are number of measures announced by the Government of India on April 1, 2011 to further liberalize the FDI policy to promote FDI inflows to India. These measures, inter alia included (i) allowing issuance of equity shares against non-cash transactions such as import of capital goods under the approval route, (ii) removal of the condition of prior approval in case of existing joint ventures/technical collaborations in the 'same field', (iii) providing the flexibility to companies to prescribe a conversion formula subject to FEMA/SEBI guidelines instead of specifying the price of convertible instruments upfront, (iv) simplifying the procedures for classification of companies into two categories – 'companies owned or controlled by foreign investors' and 'companies owned and controlled by Indian residents' and (v) allowing FDI in the development and production of seeds and planting material without the stipulation of 'under controlled conditions'. These measures are expected to boost India's image as a preferred investment destination and attract FDI inflows to India in the near future.

The average growth of FDI in India is 48.57 per cent during last 14 years. There is high fluctuation in FDI inflow to India over the years as standard deviation of FDI is 677.53.

Linear Trend of FDI in India

$$FDI = - 108.04 + 144.87\ t$$

There is positive trend of FDI over time.

Regression results is as follows

$$GPCGDP = 4.51 + 0.0081\ GFDI$$

where GPCGDP = Growth of Per Capita GDP, GFDI = Growth of FDI)

There is positive effect of growth of FDI on growth of GDP in India but coefficient is not significant.

Comparison of FDI and Urbanization Between India and China

China and India are two emerging economies who have vast population. Both countries have long fascinated Western policy makers and analysts, but, at least until recently, they were fairly small players in the world economy. The emergence of China as a big economic power has been accompanied by a more relaxed, albeit still important, economic transformation in India. China focused on industrial production while India focused on services. China's rise has been simply extraordinary – in 2010, its economy was 47 times larger than it was in 1980. China and India had similar levels of per capita GDP (at market exchange rates) in 1980, but China grew much faster and had overtaken India by the early 1990s. Since then growth in China has been so fast that its per capita income is now more than three and a half times that of India. China launched its economic transformation by using abundant, low-wage labour to establish manufacturing for export industries. In contrast, India developed a service export sector focused on IT and BPO. As a consequence India had a much lower rate of investment than China and therefore 'capital deepening' was less prevalent. The basic differences between two countries with regard to urbanization and FDI are as stated below.

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1. China derived substantial benefits from foreign direct investment – China encouraged FDI by multinationals looking to set up export-oriented manufacturing operations, and was able to benefit from foreign intellectual property and know-how. In contrast, India followed an import-substitution policy and relied on domestic resource mobilization and domestic firms.
2. China reformed earlier and more aggressively than India - China began reforming its closed, centrally planned, non-market economy in 1978. In contrast, India always had a large private sector, but its product, input and labor markets were subject to rigid state controls until the hesitant and piecemeal reforms of the 1980s. Only after experiencing a serious macroeconomic crisis in 1991, did the reform effort become more determined and the reforms broader. The FDI in India and China are shown below in Table 2.

The trend of FDI in India and China is shown in Figure 3. There is significant increasing trend of FDI in china from 1990 to 2010 but FDI trend is India is not encouraging.

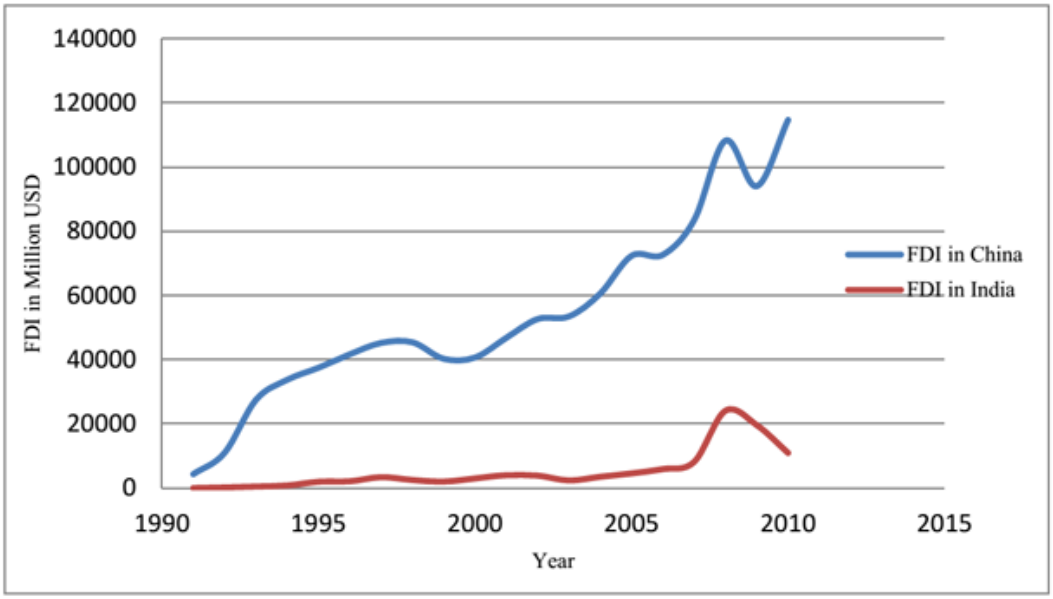
Table 2. Foreign direct investment in China and India (in million USD)

Year	FDI in China (In Million USD)	FDI in India (In Million USD)	FDI in India as Percent of FDI in China
1991	4366	74	1.69
1992	11007	277	2.52
1993	27515	550	1.99
1994	33767	891	2.64
1995	37521	2026	5.39
1996	41725	2187	5.24
1997	45257	3464	7.65
1998	45463	2587	5.69
1999	40319	2089	5.18
2000	40715	3075	7.55
2001	46875	4074	8.69
2002	52700	3948	7.49
2003	53505	2444	4.57
2004	60630	3592	5.92
2005	72406	4629	6.39
2006	72715	5992	8.24
2007	83521	8202	9.82
2008	108312	24150	22.29
2009	94065	19669	20.91
2010	114734	11008	9.59
Mean	54355.90	5246.4	7.47
SD	29250.50	6320.46	5.39

Source: Chinese Statistical Yearbook (Various years) and Reserve bank of India data Base

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Figure 3. Trends of FDI in China and India



CRITICAL REVIEW OF FDI POLICY IN INDIA AND CHINA

Due to sustained reforms in China from the early 1980s and from the early 1990s in India, both economies pursued liberalization of quantitative restrictions, trade and foreign investment policies, industry and tax reforms, among other sectoral reforms. These reforms fuelled the astonishingly strong growth of the inward bound Foreign Direct Investment (FDI) in these two economies in different magnitudes over the last three decades. Also, the contribution of FDI to their sustained economic growth in the last decades is commendable. China's performance in attracting FDI over the past three decades considerably outpaced that of India. Now, the interesting question is as to how China is attracting relatively more FDI inflows compared to India. After economic reforms and liberalization, both China and India have made substantial improvements in the structural transformation of their economies by allowing foreign firms to compete in their domestic markets which were previously restricted. The socio economic conditions of both countries were similar, and both were under the influence of the Soviet model, pursuing similar development strategies involving central planning and rapid industrialization. In China, foreign investments were prohibited and the mechanism for foreign trade was monopolized by the Ministry of Foreign Trade. In India, the Foreign Exchange Regulatory Act (1974) reduced foreign equity participation from 51 to 40 percent which led to the exit of companies like IBM, Shell and Coca-Cola. Since that time, both governments have significantly liberalized their FDI regimes, however, China has been able to attract a much higher level of foreign investment because it initiated the reform process much earlier than India and both countries are far more "FDI-led" than other developing countries have been in the past.

The divergence of attitudes toward FDI can be easily reviewed by the two countries' different political and economic systems. China has an authoritarian regime where policy-making is generally regarded as a top-down process. Additionally, the Chinese leadership has a clear focus on economic growth. On the

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other hand, the formation of policy in democratic India is much slower. Even the Indian diaspora was perceived as hostile, whereas in China more than half of FDI comes from overseas Chinese. In China, decentralization of economic responsibility and establishment of special economic zones (SEZs) was a key feature in foreign sector reform. Local authorities, responsible for the economic growth of their province, undertook many initiatives to ensure that SEZs would attract foreign investors. In India, decentralization was less 'economic' and more 'political'. It began in the early 1990s only because central government lacked sufficient political power and was not able to create an efficient coalition without depending on the state governments support. Thus, local officials have no direct incentives to promote FDI and state governments heavily rely on centrally-led strategies. Hitec City- a special economic zone in Hyderabad, designed to attract investments in the IT sector, is a case in point. Every significant aspect of the project, from negotiations with investors to the design of the regulatory framework was conducted centrally with no local participation. Seen broadly, local bureaucracy in India- epitomized in this case by the license-quota-permit raj- do not perceive themselves as independent actors in terms of economic reform and oblige central government to be responsible for the implementation of development programs.

In China local governments have far greater control over local revenues than in India. Under the new fiscal system that resulted from economic decentralization, Chinese provinces entered into negotiated revenue sharing contracts with the central government. This means that local governments are allowed to keep a share of revenue that they collected before handing over a negotiated amount to the central government. The ability to extract these revenues provides them with the financial resources to build a strong infrastructural base to foreign investors and maintaining a reputation for the rapid completion of infrastructure projects. Unlike in China, the tax assignment system in India is imbalanced: most broad-based taxes have been assigned to the center, while taxes narrow in scope are assigned to the states. The impact is that central government has a greater income and less expenditure whereas state governments are collecting less and spending more. This deficit in local state budgets needs to be balanced by central funds, which in turn means greater central control of the allocation of financial resources to state governments while simultaneously laying responsibility for infrastructure development on them. Since the central government itself is running on the deficit, transfers to state governments must take second place to central consideration. This has resulted in their decline in recent years, throttling state-level infrastructure investments. If state governments are not able to quickly and effectively implement FDI related projects, it decreases the flow of FDI.

CONCLUSION

Foreign direct investment is arguably an important source of employment opportunities, urbanization and growth for developing countries. China is an example of a country that has created this favorable business climate, attracted FDI over last twenty five years, and grown from $163.6 billion economy to being a $2.2 trillion dollar economy, the third largest economy in the world, and the fastest growing economy in the world. On purchase power parity basis, Chinese economy is the second largest economy of the world with $9.412 trillion in 2005 just behind USA. China has been growing at the rate of 9.5percent for last ten years. In 2006 china grew at the rate of 10percent. At this rate China will double its economy in every eight years and in 2040 will be largest economy of the world surpassing the US. In 2006 FDI inflow to China was $ 62.0 billion as opposed to $6.0 billion for India. AT Kearney FDI Confidence Index 2006 ranked China the most attractive FDI destination ahead of the United States for the fourth

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consecutive year. China has been undergoing rapid rural-urban transition and transformation in the last two or three decades—although a precise measurement of the momentum is not straightforward, owing to China's complex system of urban boundaries and changing urban definitions. In any event, many expect China to continue on the path of high-speed urbanization for another one to two decades, a process which will entail massive population redistribution. The flow of FDI is much higher in China compared to India. The rapid urbanization and large flow of FDI are major challenges that China will have to face in the next two decades. Contemporary urbanization is induced by industrialization and technological change, and that it comes as labor shifts out of land-intensive agriculture into urban industrial production. Manufacturing, and later services, take advantage of economies of scale and some urban centers grow to large population sizes, often of several million or more. Urbanization requires developing countries to uproot most of their traditional rural population, to invest heavily in urban infrastructure and to create the institutions for cities to support and finance those investments, and to develop formal market institutions and a legal framework to replace the social mechanisms of traditional rural societies that are not workable in the anonymity of urban exchange.

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Chapter 18
Corporate Governance: The Catalyst for Economic Growth and Social Change

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ABSTRACT

In light of the increasing number of corporate frauds worldwide, there is a growing emphasis on corporate governance. These corporate misappropriations not only destroy shareholder value but also act as a detriment to economic growth and social change. Therefore, investors look for companies with better corporate governance to maximize their returns. Still, this aspect of corporate governance has been largely neglected in the existing studies. This chapter is therefore an attempt to address corporate governance and its effect on business performance in the context of economic growth and social transformation at the global level. It goes inside the black box of the financial matrix. The central issue that emerges is the criticality of key parameters in the corporate governance process for organisational performance. It is hoped that it will provide a new dimension to the existing body of corporate governance for global development with policy implications for the required growth and social change.

INTRODUCTION

The concept of corporate governance has become popular globally, particularly over the last decade in regard to economic growth and social transformation. Undoubtedly, bodies of literature in law and social sciences have always considered political and social factors necessary to firms' and economic growth (Fligstein & Choo, 2005). But, of late good corporate governance has become a priority for policymakers and investors for better overall performance. The empirical research on the subject also verifies the fact. "Better corporate governance is associated with better business performance and thereby higher stock market performance, (Claessens, 2006)." Claessens highlights how the financial crises in the Russia, Asia and Brazil in 1998 demonstrated the deficiencies in corporate governance which might endanger the stability of the global economic system. A few years later, corporate governance scandals in the US and Europe added to this and shattered the confidence of a common man in the corporate sector. This

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realization for better corporate governance has highlighted its importance as a key element for reaching economic performance and growth, increasing the investors' trust.

The corporate governance system across the countries varies according to the degree of ownership and control and the identity of controlling shareholders. On one hand, there are systems which are characterised by wide dispersed ownership (outsider systems), like US and UK. The basic conflict of interest here is between strong managers and widely-dispersed weak shareholders. On the other hand, there are systems which are characterised by concentrated ownership or control (insider systems), such as Germany and Japan, where the basic conflict is between controlling shareholders and weak minority shareholders.

To grow, an economy requires sound resource base, including natural resources and other resources. But, this is possible only when the country has congenial and fair environment which features sustainable scale, fair distribution of wealth, efficient allocation of resources, and high quality of life. Here, sound corporate governance becomes crucial as corporate sector is the real creator of wealth and the most important contributor to economic growth of any country. *Economic growth* is an increase in the production and consumption of goods and services. It is indicated by increasing gross domestic product (GDP). Economic growth of any country is linked with not only an increase in its productive capacity but also as an improvement in the quality of life of the people.

Any growth is meaningless if it is not is not backed by the society and is not instrumental in social change. The reason being is the economies changing for the betterment of society only last. *Social change is* a broad umbrella to encompass a range of typical social and civic outcomes from increased awareness and understanding, to attitudinal change, to increased civic participation, the building of public will, to policy change that corrects injustice.

Every economy calls for sustainable development. The concept of sustainable development is based on corporate governance which integrates the balance of key pillars of *economic and social pillars.* The economic pillar is based on the necessary retaining of ordinary capital with all the business activities performed, and use of only the generated profit. The social pillar involves people as individuals as well as the community. So, a company with sound corporate governance will adopt these two pillars as its strategic goal which in turn grows the company in the long run. The quality environment strongly impacts the quality of life of the population, which already bears upon the social sphere (Moldan, 2001).

This paper extends the above rationale of necessity of corporate governance for economic growth and social change, in particular to Indian perspective. It discusses how the corporate governance framework impacts the firm's overall performance including in the financial market, implied thereby leading to economic growth and social change.

BACKGROUND

Corporate governance has been associated with the "Agency conflict", i.e. principal-agent problem. As principal, shareholders expect the agents (managers) of the company to act in their best interest but in practice the situation is opposite. This gap leads to mis-governance (Berle & Means, 1932). For the last two decades, corporate governance has been an area of focus for all the economies globally on account of its increasing importance for economic growth and social transformation. Corporate are giving due importance to it regardless of whether they are involved in global operations or not.

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What Is Corporate Governance?

'Corporate governance' is the way corporations are being managed and most importantly how they communicate with shareholders and the rest of the world. *Corporate governance* as widely used is "the system by which companies are directed and controlled" (Cadbury Committee, 1992). It is the framework by which the various stakeholder interests are balanced. The OECD takes a broad view of corporate governance and defines it as the full set of relationships among a company's management, its board, its shareholders and other stakeholders. It provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance determined. (1999a) The *OECD Principles of Corporate Governance* universally applicable to all types of corporate governance systems in countries at all levels of economic development.

Corporate governance addresses issues of board appointment, their roles and responsibilities, the shareholders' rights, and others. These issues are important because they promote good business practices and create a good business environment for all the stakeholders and ensure better economic development. With the recent financial crisis, it has become all the relevant for corporate worldwide. Therefore, both companies and policy-makers globally are interested in ensuring that good corporate governance is adopted and is effectively institutionalized throughout the firm.

Why Corporate Governance Matters?

Good corporate governance helps companies operate more efficiently, improve access to capital, mitigate risk and safeguard against mismanagement. It makes companies more accountable and transparent to investors and promotes sustainable environmental and social development. Increased access to capital encourages new investments, boosts economic growth, and provides employment opportunities.

- **Improved Performance:** Good corporate governance brings better performance for corporate and economies worldwide. Improved governance structures and processes ensure quality decision-making, encourage effective succession planning for senior management and enhance the long-term prosperity of companies.
- **Value Addition:** Corporate governance helps in managing risks and adding value to the society. It reduces the risk of investments by improving the governance of investee companies and thereby promotes sustainable investment in countries. *So, it adds both 'economic and social value' to the economy.*
- **Developing Capital Markets:** Improving corporate governance contributes to the development of the capital markets. Poor standards of governance, particularly in the area of transparency and disclosure have been a major factor behind instability in the financial markets across the globe as evident in the case of the East Asian financial crisis of 1997, and corporate failures in United States and Western Europe.
- **Higher Access to Capital:** Better governance improves access for emerging market companies to global funds. Empirical evidence indicates that well-governed companies receive higher market valuations.

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CORPORATE GOVERNANCE: THE COMPETITIVE ADVANTAGE!

Corporate governance is an essential element of improving microeconomic efficiency. It affects the behaviour and performance of firms, and thereby impacts on the development and functioning of capital markets and exerts a strong influence on resource allocation, leading to sustainable growth and social development. Better corporate governance increases the likelihood that the enterprise will satisfy the stakeholders and fulfill its environmental and social responsibilities. Poor corporate governance mechanism is a major impediment to improving the competitiveness of firms.

It has been found out that companies with better governance perform better. They always have a competitive advantage over others. Across countries, there is evidence that operational performance is higher in better corporate governance countries. Corporate governance adds value by improving the performance of firms through more efficient management, better asset allocation, and similar efficiency improvements (Gompers, Ishii, & Metrick 2003). (Joh, 2003) strongly suggests that better corporate governance leads not only to improved rates of return on equity and higher valuation, but also to higher profits and sales growth.

Gugler (1999) provides a comprehensive survey of empirical studies of the effects of ownership concentration on corporate performance from the US and UK and finds that "owner-controlled" firms significantly outperform "manager-controlled" firms.

The McKinsey 2002 Survey, commissioned by the Global Corporate Governance Forum, surveyed institutional investors managing $2 trillion of capital. It found out that:

- Institutional investors would be willing to pay more for shares in companies with high governance standards. The average premium ranged from 12-14% in North America and Western Europe to 20-25% in Asia and Latin America to over 30% in Eastern Europe and Africa.
- 1/3rd of investors stated they would avoid countries with poor corporate governance.

A recent study conducted by the Treasury entitled *Corporate Governance and Financial Performance in an Australian Context* examines the relationship between a company's adoption of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations and its financial performance for the top 300 Australian listed companies. It found out that companies with better corporate governance outperformed the companies with less compliance.

Bad Governance

In practice shareholders usually don't get to use their votes to directly influence the decisions of the management of the company, as in a restructuring decision either its Vodafone-Hutch deal or Reliance Demerger and others. Board of Directors is supposed to be the representatives of the shareholders. But, they are often ineffective in discharging their responsibilities. This lack of management oversight and supremacy of personal interest by corporate Boards is illustrated by a long list of corporate scandals such as Enron, WorldCom and Paramalat.

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Promoter shareholders tend to take minority shareholders for a ride. A promoter shareholder typically holds a large number of shares – through which he can easily influence the management of the firm. Minority shareholders, on the other hand, hold only a small fraction of the company's shares and have very little influence. For example, majority of the listed companies in BSE Sensex are family owned businesses with family members often holding senior management positions, such as CEO and CFO. They are mostly guided by their self- interest, like the recent case of Kingfisher Airlines and Sahara Investments.

This also leads to 'earnings manipulative' practices as evident in the case of Satyam in 2008. These are examples of bad corporate governance where managers are basically destroying shareholder value.

Good Governance Model?

What is good corporate governance? In most countries an official "Code of Best Practices" has been introduced, describing what good corporate governance is and how companies can implement it. In India, there is Clause 49 under SEBI Act, 1992 which describes code of corporate governance. It emphasizes that a public company should provide accurate and timely information to all stakeholders. Further, it also tries to strengthen the Board of Directors' role by introducing Independent directors. It is a mandate for listed companies to have ½ as independent in case of executive chairmanship and 1/3 in case of non-executive chairmanship. SEBI also stresses on the Audit Committee. At international level, we have SOX (US) and OECD Code.

Here, we will examine the common parameters of good corporate governance as prescribed by the international regulators, mentioned above. They are: CEO duality, Non-executive Independent Directors, Audit Committee, and Management Compensation.

1. CEO Duality

CEO Duality implies there should be a separation of chairmanship and CEO for better transparency in decision-making. The reason being is when the CEO plays the dual role, owner interests are, to some extent, "sacrificed" for managerial interest (Donaldson & David, 1991). (Heracleous, 2001) provides a literature review of evidence of the impact of executive chairmanship on the performance. (Ehikioya, B. I., 2009) in their study said CEO duality influences the overall performance of the firm.

2. Independent Directors

Non-executive independent directors were introduced as a guardian of the interests of minority shareholders in the company. Since, they are unrelated with the company they act objectively for the betterment of the corporate. Mak & Kusnadi (2005) reveal that proportion of independent directors on the board helps in enhancing firms' value.

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3. Audit Committee

Audit committee is the most important committee of the company as it is responsible for the internal control and the appointment of outside auditors. This is the reason why audit committee should contain independent board of directors. Siagian & Tresnaningsih (2011) state, "Independent directors and audit committees should improve the firms' reporting system and the quality of reported earnings because they do not have any potential conflicts of interest that reduce their monitoring capacity".

4. CEO Remuneration

CEO remuneration should be linked to organisational financial performance on account of agency principle. Management will always act in order to maximise self-interest. Research also does not find CEO remuneration to be important to performance. (Andjelkobic et al., 2000), (Collins, 2001) and (Coles, 2001) found no evidence of a positive relationship.

Scally (2011) selected top 10 companies from the Fortune 500, which demonstrated the highest total shareholder return (TSR) over a five-year period. Seven key board characteristics associated with good governance were compiled for the analysis, as mentioned in the table 1 (Top 10 Fortune 500 Companies by 5 yr. total return to shareholders).

It shows 6 of the 10 boards have separate CEOs and chairmen; 6 of the 10 boards have staggered board elections; 5 of the 10 have adopted majority voting. The percentage of independent directors per board ranges from 92% to 67%, and the average age of directors ranges from 52 to 63, with a mode of 62. Finally with regard to board diversity as defined by the companies themselves, 2 boards have as many as 4 diverse members and one board has none—the others have between 1 and 3 diverse directors.

Table 1. Top 10 Fortune 500 Companies by 5 yr. total return to shareholders

	5 yr. return%	Board size	Indep. Dir.	Add/l BD Seats	Separate CEO/Chair	Separate Risk Comm.	Staggered Board Seats	Majority voting	Diversity	Average age
1. Apple	45.6	7	6	8	Yes	No	No	No	1	62
2.Express Scripts	35.2	12	11	14	No	No	No	Yes	3	62
3.Western Digital	32.4	11	10	15	Yes	No	No	Yes	2	62
4.FMC Technologies	30.5	12	10	27	No	No	Yes	Yes	3	63
5. Mosaic	30.4	12	8	9	Yes	Yes	Yes	No	1	61
6. Flowserve	28.8	11	10	9	Yes	No	Yes		1	59
7.Precision Castparts	27.6	9	8	8	No	No	Yes	No	0	60
8. Google	26.3	9	6	6	Yes	No	No	No	4	52
9.Cameron Int'l	25.5	9	7	8	Yes	No	Yes	Yes	1	62
10. Monsanto	25.4	10	9	8	No	No	Yes	Yes	4	59

Source: 2010 proxy filings and company information

1. Fortune magazine rating of America's largest corporations, May 3, 2010 issue, CNNMoney.com
2. Additional public company board seats held by the company's directors

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So, there is a correlation between the governance attributes selected and their appearance among these top-performing companies, in particular the mode of 62 for average age of directors and 60 percent board with separate CEO and chairman.

Emerging Markets Are Different

In emerging markets, means of enforcing shareholder rights are less developed. *First,* in emerging stock markets trading is still dominated by individual investors, rather than large investors. Individuals with small shareholdings usually have limited knowledge about the company, and are not well organized. They are unable to exert much influence on the company.

Second, there is strong presence of large controlling shareholders in these economies. Also, there are laws preventing foreigners from buying local companies. *Third,* low level of effectiveness of the legal system often makes it difficult to successfully prosecute and convict managers who abuse the company for their own benefit.

So, these factors make governance in these economies a little difficult. The key means by which corporate oversight is maintained in developed markets is lacking in many emerging markets. Even so, one problem remains: how to make sure that minority shareholders are treated fairly by the large controlling shareholders? *Probably, the answer lies in 'Indian Companies Act, 2013 in the form of Class Action suit.'*

Despite the above constraints, India is one nation which has shown a fairly better performance in terms of governance practices worldwide. That is the reason why it got least affected on account of global recession. Table 2 (Corporate Governance Practices Ranking for 2010) of IR global rankings for 2010 verify the fact where two Indian companies (Infosys and Kotak Mahindra) figure out in top five best governed international companies.

Corporate Governance in India

There are various reforms which have been channeled by Indian regulatory forces, viz. Security and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs, Government of India (MCA). The first of this chain was the *Companies Act, 1956.* It did not directly talk about corporate governance but set the stage by providing notable restrictive measures for the board.

Then *Clause 49* came out under listing agreement of SEBI Act, 1992 which is considered as a milestone in the evolution of corporate governance practices in India. It is similar in spirit and in scope to

Table 2. Corporate Governance Practices Ranking for 2010

Ranking	Company
#1	Royal Philips
#2	Royal Dutch Shell plc
#3	Infosys Limited
#4	BASF
#5	Kotak Mahindra Bank

Source: http://www.irglobalrankings.com/irgr2010/web/conteudo_eni.asp?idioma=1&tipo=33182&conta=46&id=184960

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the Sarbanes-Oxley Act in the United States. Clause 49 of the Listing Agreement to the Indian stock exchange came into effect from 31 December 2005, for improving corporate governance in all listed companies. Its key features are: (i) composition of the board of directors; (ii) the composition and functioning of the audit committee; (iii) subsidiary companies; (iv) disclosures by the company; (vi) CEO/CFO certification of financial results; (vi) reporting on corporate governance as part of the annual report; and (vii) certification of compliance of a company with the provisions of Clause 49.

Companies Act, 2013 received the assent of the President on the29th August, 2013. The new Companies Act, 2013 is a proposition to improve corporate governance system in India on account of recent corporate scams. Significant corporate governance reforms have been recommended primarily to improve the 'board process.' Following key corporate governance reforms are put forward:

- Companies with turnover of Rs. 1000 cr. or more, net profit of Rs. 5 cr. or more, with net worth of Rs. 500 cr. have to spend at least two per cent of their net profit on 'corporate social responsibility.'
- The limit of the maximum number of companies in which a person may be appointed as auditor is 20.
- Auditors' appointment for 5 years shall be subject to confirmation at every annual general meeting.
- Director to vacate office on remaining absent from all the meetings of the board of directors held during 12 months with or without obtaining leave of absence.
- Financial year of every company has to be March 31. The only exception is for companies which are a holding/subsidiary of a foreign entity requiring consolidation outside India.
- Listed and prescribed class of companies to have *at least 1 woman director.* Existing companies have to comply with this provision within 1 year from the date of commencement of the 2013 act.
- Following committees of the board are made mandatory for listed and prescribed classes of companies: audit committee, stakeholder relationship committee, nomination and remuneration committee, and corporate social responsibility committee
- *For investor protection*, it provides for 'class action suit', which is key weapon in the hands of individual shareholders.
- There is *Prohibition on forward dealings in securities* of company by key managerial personnel. Insider trading rules have been made more stringent.

RECOMMENDATIONS

An effective corporate governance framework can avoid the conflict between shareholders and managers and minimise the agency costs. There are broadly two types of mechanisms that can be used to align the interests and objectives of managers with those of shareholders and overcome this problem of separation of ownership and control:

1. **Adequate Compensation:** By compensating managers adequately, there interests can be very well aligned with those of shareholders in the form of executive compensation plans, stock options, etc.
2. **Shareholders' Activism:** It implies the strengthening of shareholders' rights so they have a greater incentive and ability to monitor management. This involves legal protection to shareholders in the form of enforcement of shareholder rights, prohibitions against insider-dealing, etc. To quote again '*Class Action suit' under Indian Companies Act, 2013.*

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FUTURE DIRECTIONS

Corporate governance is becoming more sophisticated and is providing greater opportunities for businesses. Following are the ideas that are critical for businesses for good corporate governance.

- Companies should not only implement general corporate governance practice but must focus on best practices.
- A key element of good corporate governance is good risk management.
- Corporate governance and CSR go hand in hand.
- Greater concern for the measurement of board performance.

CONCLUSION

Corporate governance affects the development and functioning of capital markets and exerts a strong influence on resource allocation in an economy. In an era of increasing capital mobility and globalisation, it has also become an important framework condition affecting the industrial growth and social change. There is no single model of good corporate governance, and both insider and outsider systems have their strengths, weaknesses, and different economic implications. Furthermore, the effectiveness of different corporate governance systems is influenced by differences in countries' legal and regulatory frameworks, and historical and cultural factors, in addition to the structure of markets. The challenge, therefore, is not only to identify the strengths and weaknesses in each individual system or group of systems, but also to identify what are the underlying conditions upon which these strengths and weaknesses depend.

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KEY TERMS AND DEFINITIONS

CEO Duality: The separation of chairmanship and Chief Executive Officer for better transparency in decision-making.

Corporate Governance: The way corporations are being managed and most importantly how they communicate with shareholders and the rest of the world.

Economic Growth: An increase in the production and consumption of goods and indicated by increasing gross domestic product (GDP).

Independent Directors: The directors which are non-executive and unrelated to the company management.

Social Change: A process which encompasses a range of typical social and civic outcomes from increased awareness and understanding, to attitudinal change, to increased civic participation, the building of public will, to policy change that corrects injustice.

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Chapter 19
Key Aspects to Develop Long-Term Microfinance and Financial Inclusion for Social Development

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ABSTRACT

This chapter presents the main guidelines for microfinance to be a successful financial model, mainly for who do not have any access to the traditional financial market. The model can be active for reaching one of its main objectives (to reach poverty eradication worldwide). This will be achieved only if the microcredit institutions do not consider the operating conditions that may oblige them to be part of the traditional financial system. Nowadays, governments, financial sectors, and multilateral agencies have focused their efforts on financial inclusion, as a first experience before using a broad portfolio of microcredit services.

INTRODUCTION

From its very beginning, microfinance has had as its main basis the fact of giving credit to those whose economic condition does not match with the traditional financial market requirements.

Despite the existence of multiple experiences that can be characterized as microfinance, such as the Montes de Pio in the Spanish middle age or the creation of cooperatives, it is only by the 1970's when the concept becomes stronger and the model has the first successful experiences throughout the placing of microcredits (Yunus, 1998).

Experiences such as the Grameen Bank in Bangladesh, International Action and FINCA in Latin America demonstrated the relevance of the model and its applicability in the poorest sectors of the population in these regions (Guillamón, 2002).

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Global awareness of the benefits and scope of micro-finance is one of its key advantages as a development model to aid in eradicating poverty. Following the emergence of micro-finance in the 1970s, actors have appeared and relevant events occurred which have facilitated substantial worldwide growth of microcredit. These include consolidation of the Consultative Group to Assist the Poor, CGAP, as an entity that promotes strengthening microcredit, the statement by the Group of 8 recognizing microfinance as a key element for development of the poor, the declaration of 2005 as the International Year of Microcredit and the formulation of the United Nations Millennium Development Goals (Resolution 55/2 United Nations, 2000).

One of the most influential entities in developing microcredit at the global level is the Consultative Group to Assist the Poor, a consortium of 34 public and private financing or micro-financing organizations. These include bilateral and multilateral development agencies, private foundations and international finance institutions that work together to increase people's access to financial services and thereby improve the living conditions of the poorest populations. The group was created in 1995 by nine microfinance organizations to support development of the sector. It currently works to generate services provision solutions through research and advisory services in the global and regional microfinance field, to which a large number of people and entities have access through its global resource center (Consultative Group to Assist the Poor, 2015).

Consultative Group to Assist the Poor is important because its studies and statistics have become global reference points when undertaking microfinance initiatives and its consulting services are sought by organizations that implement this type of projects. It specializes in developing local microcredit initiatives around the world, focusing on knowledge of microfinance and its contexts and providing consulting services for already-established microfinance entities to enable them to become more efficient in their goals and sustainable over the long term.

Then there is the G8, consisting of the world's 8 most developed economies. In 2005, the International Year of Microcredit, the G8 at its annual meeting in Gleneagles, Scotland, received a report from the 'Advisors Group to the United Nations International Year of Microcredit'[1] stressing the importance to its leaders of access to financing for the world's poorest populations (United Nations, 2006). According to the report of United Nations High Commissioner for Refugees, the objective is "…to widen the scope of the financial information available to them for developing and incorporating indicators regarding access to and use of micro-financing…", (United Nations, 2007), with active participation by the World Bank, and the International Monetary Fund, Micro-Finance Institutions. As a result of such efforts, the final report by the G8 Summit included a reference to the importance of financing, micro-financing and remittances, placing emphasis on the situation of microfinance in Africa. The final document, in addition to supporting these three topics, stresses the need to work to improve financial inclusion levels (less than 10% in Africa, as of the date of the report), and that both the United Nations and World Bank must continue their commitment to work and develop indicators for access to financing and to support national governments in creating public policies to facilitate the use of financial services by the population (European Parliament, 2006).

The G8 thus helped to generate momentum for the subject of microfinance, recognizing it as a key element for development of the world's poorest populations while directly linking it as an agent that could help to achieve the Millennium Development Goals.

Even though this model has been consolidated and developed and has had great impact on the poorest populations, its sustainability and growth can only be maintained over the long term if the difference between microfinance institutions and traditional banks can be clearly established and conditions created

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to foster the continuity of microfinance institutions, strengthening their permanence as Non-Governmental Organizations or cooperatives, among other forms. Alternatively, conditions could be established to facilitate their entry into the traditional financial market while conserving their essence and making it possible for them to do so on a level playing field with the banks. While microfinance institutions must ensure their financial sustainability, their fundamental objectives must nevertheless continue to include poverty eradication and attention to the poor, improving levels of coverage and satisfying this population's needs.

This chapter seeks to contribute in identifying the actions -from different sectors- that can be performed in order to make microfinance be the instrument with which the conditions of poverty in the world can be mitigated.

For this purpose, the chapter begins with a description of the characteristics of microfinance, its relation with poverty and the various levels of impact it has had from the time of its emergence as a financing alternative. In this section some criteria are stated to be taken into account for ensuring the sustainability of microfinance institutions (MFI) and the way they should articulate with the needs of population.

At the end of this section, the impact of the interest rates on the operation of the MFI are stated as well as the role of other existing parties in this market such as the government and cooperatives.

The chapter also addresses the financial inclusion, its ongoing progress, obstacles and challenges that has as a phenomenon whose main goal is about economic development and it ends by considering the participation of key actors and the measures to be implemented, so that microfinance will guarantee a significant development in the coming years.

1. ANALYSIS OF THE CHARACTERISTICS OF MICROFINANCE AS AN INSTRUMENT FOR SOCIAL DEVELOPMENT

The key principles of microfinance consist of a set of guidelines created by the Consultative Group to Assist the Poor and its 34 members in 2004 and subsequently ratified at the G8 Summit of heads of state on June 10, 2008, intended as a guide for planning governmental and private policies at the global level. These principles are as follows:

- People of scarce resources need a variety of financial services in addition to loans, such as for savings and mobility of funds.
- Microfinance is a powerful tool in the fight against poverty.
- Microfinance refers to the creation of financial systems that address the needs of the poor, which is the fundamental objective.
- Microfinance can and must be sustainable if the goal is to reach a large number of the poor. This is what guarantees its long-term permanence.
- Microfinance requires the building of local and permanent financial institutions. That is the only way to obtain in-depth knowledge of the true needs and conditions of the poor.
- Microcredit is not always the solution.
- Ceilings on interest rates can jeopardize access by the poor to credit, because they discourage the providers of such rates when the limits are too low to compensate for risk.
- The government's role is that of a facilitator, not a direct provider of financial services. If it tries to assume the latter function, government can distort the market and discourage private efforts.

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- Funds provided by aid agencies must supplement rather than compete with private-sector capital, because they normally do not have the opportunity to compete against capital from the traditional banking sector.
- The crucial limitation is the lack of solid institutions and qualified managers.
- Microfinance works better when its performance is revealed and measured, which in turn helps MFIs to generate corrective measures for its errors in a timely manner. (Consultative Group to Assist the Poor, 2004)

In this context, microfinance acquires particular characteristics and a social function of significant value. These characteristics include:

1.1 A Tool to Fight Poverty

When the Millennium Development Goals were established, one of the most important was to reduce poverty levels by half by 2015. When the United Nations began to see the possibilities and alternatives for fulfilling this objective, it found that one of the greatest difficulties facing the poorest populations in overcoming poverty is the lack of access to credit, because they are not part of the target market for the traditional financial system. It also saw that possibilities for formal employment in these communities were almost nonexistent and that most people lived on agricultural or commercial activities – subsistence businesses. In many cases, the reason such businesses are unable to grow and generate better living conditions for their owners, along with dignified employment for others, was not due to the lack of a market but rather because their precarious profits were used to cover the basic needs of the owners and their families. They therefore never had funds to reinvest in their businesses, with the result that these businesses could not grow even when they had access to the market in order to do so.

Analysis of the situation also showed that the need for funds in many poor communities for operating their small businesses led them to resort to informal lenders. These lenders, as is still the case, charged interest rates much higher than those of the traditional financial system, thus adding a new difficulty for improving people's living standards. The obligation to pay such interest rates denied them funds for themselves and for their businesses. Thus the conclusion that, in order to modify the situation, there is a need for a system to provide credits in small amounts for the poorest people, with low interest rates, the capacity to loan such funds on a large scale and, beyond providing people with credit, give them the possibility of generating a savings culture to improve their levels of income and living standards in the future.

Microfinance had proven to be the model that would address all of the above-mentioned conditions, because it had already been developed over a number of years and demonstrated its effectiveness in various success cases around the world. It should become one of the most useful tools in attaining this objective and in the fight against poverty in general. This having become clear, in February of 1997, the first Microcredit Summit was held in Washington, D.C., bringing together more than 2,900 delegates from 137 countries. At this event, a global campaign was launched, which aimed to provide credit for self-employment to 100 million families by 2005, including the world's poorest, in addition to other financial services such as opening savings accounts and remittance services, at the personal level as micro-businesses (Daley-Harris, 2006). This program was called the 'Microcredit Summit Campaign' and seeks to extend and boost the use of microfinance for poverty reduction. It is directly managed by

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the UN, strengthening the principal role of microfinance in the global struggle against poverty and in the achievement of the Millennium Development Goals, as expressed by Kofi Annan, Secretary General of this organization, at the first meeting: "MICROCREDIT is a critical tool to fight poverty and a wise investment in human capital, now that the nations of the world have committed themselves to reducing the number of people who live on less than $1 dollar per day by half by 2015, so that we must view with even greater seriousness the fundamental role that sustainable microfinance can play and is playing in achieving this Millennium Development Goal" (Annan, 1997).

This campaign includes annual meetings at which reports are presented on the progress and growth of microfinance in the world's poorest populations and its impact on poverty reduction. Based on news reports, the results obtained are assessed and strategies and annual objectives are delineated or corrected with the aim of achieving the Millennium Development Goals through the four fundamental principles of the campaign, namely:

- Reaching the poorest.
- Reaching and empowering women.
- Creating financially self-sufficient institutions.
- Ensuring a positive and measurable impact on the lives of the clients and their families.

That is how the "Microcredit Summit campaign" has been established as the main effort on a global scale to focus upon microfinance as a tool to combat poverty. But it is not the only effort because there are cases of important microfinance entities such as the Grameen Bank, Bancosol, Bank Rakyat, Self Employed Women's Association and many others that operate in markets with a large percentage of poor communities. These entities have a large-scale impact on improving living conditions and reducing one of the greatest obstacles to overcoming backwardness in terms of income inequality, namely the poorest population's lack of access to financial services (Cano, 2006).

In seeking to achieve the Millennium Development Goals, and specifically poverty reduction, the United Nations (2015) presents the following two results:

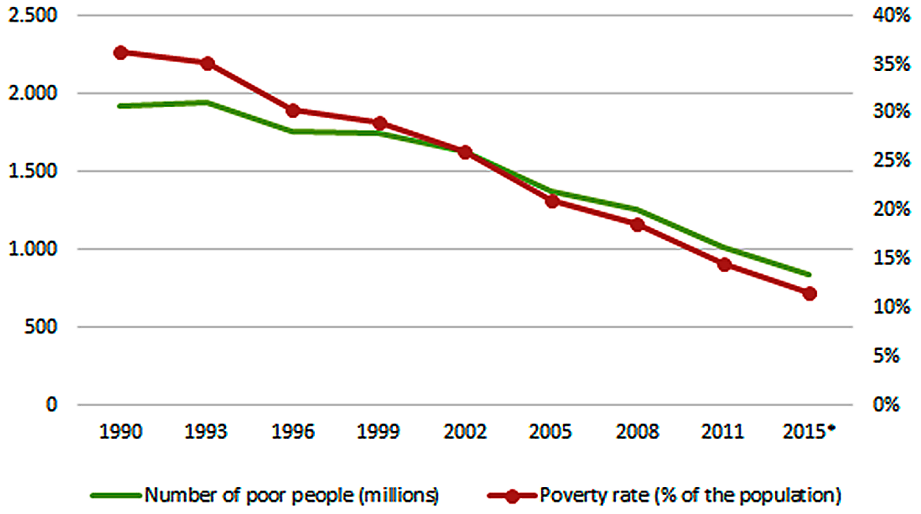
- "The goal of reducing extreme poverty rates by one half was achieved five years before the deadline that had been fixed for 2015.
- The worldwide poverty rate for people who live on less than $1.25 per day in 2010 was less than half the rate recorded in 1990. While in 2010, 700 million people were no longer living in conditions of extreme poverty as compared to 1990, 1.2 billion people throughout the world remain in that situation".

Figure 1 shows the evolution of poverty levels.

According to these figures and in response to new realities, the United Nations has formulated the Sustainable Development Goals (SDGs) to provide continuity for some of the Millennium Development Goals while incorporating others that are part of its agenda for the next 15 years. In that sense, the first such goal formulated by the United Nations is "To end poverty in all its forms everywhere," from which significant progress is expected in the indicators along with strengthening of the diverse tools used, including microcredit.

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Figure 1. Evolution of poverty at the global level (1990-2011)
Source: Compiled by author from Microcredit Summit Campaign.



1.2 Coverage

Because of participation by all of the previously-mentioned actors in developing strategies and programs, by 2005 approximately 82 million microcredits had been granted to the poorest population. Despite the high impact of this figure, it was nonetheless below the goal of 100 million such credits set for that year, which was finally achieved in 2007. Growth in recent years has remained stable, reaching 203 million microcredits by 2010, of which 135 million were granted to the poorest population (Maes, J. & Reed, L., 2012)

Figures on the granting of microcredit are given in Figure 2.

While the figure shows that the number of the poorest people served is constantly growing, in the early years there was an oscillation in the percentage of poor compared to the total number of clients, which then stabilized at around 70% starting in 2003.

This shows that there is sustained growth of microcredit among the poorest population as a whole, because when their share of total microcredits is analyzed, it demonstrates variable behavior, mainly because many beneficiaries have been able to rise above the poverty line but continue to use microcredit services.

This circumstance is consistent with the reality of microfinance; despite efforts aimed at consolidation of sustained growth in the number of poor served, the percentage has remained stable or has decreased, partly due to the reduction in the total number of poor people in the world. In this sense, it is important to permanently follow up on entities that grant microcredit in order to prevent them from avoid losing the proper focus, when, pressured by the need for good financial results, they may redirect their objectives and not necessarily concentrate on the poorest population.

In terms of the coverage reached by Micro-Finance Institutions at the global level, according to data compiled by the Microcredit Summit Campaign in December of 2014, 3718 Micro-Finance Institutions that reported that year were able to grant microcredits to more than 203 million people, 115 million of whom belong to the poorest population. Table 1 shows microcredit coverage as of the end of 2014 and women's share as users of this credit system (Reed, 2013).

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Figure 2. Evolution of microcredit among the poorest 1997-2010
Source: Compiled by author from The World Bank.

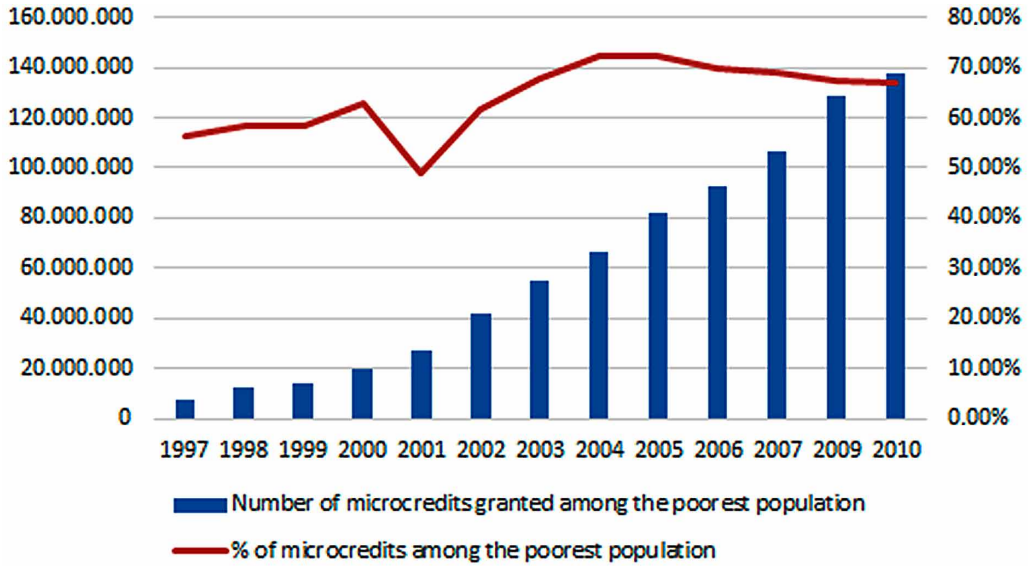


Table 1. Number of micro-finance institutions reporting, number of clients and poor population served

Region	N° of MFIs	Total N° of Clients	Total N° of Women Clients	N° of Poorest Clients	N° of Poorest Women Clients
Sub-Saharan Africa	1,042	15,192,387	8,194,610	8,471,247	5,899,917
Asia and the Pacific	1,747	161,022,985	130,880,298	102,627,426	87,134,440
Latin America and the Caribbean	670	16,491,676	10,154,176	2,798,274	2,038,188
Middle East and North Africa	95	5,231,520	2,777,297	1,497,012	1,074,968
Totals for the developing world	**3,554**	**197,938,568**	**152,006,381**	**115,393,959**	**96,147,513**
North America and Western Europe	88	170,634	60,663	43,375	34,303
Eastern Europe and Central Asia	76	5,400,105	277,944	147,111	72,393
Totals for the industrialized world	**164**	**5,570,739**	**338,607**	**190,486**	**106,696**

Source: Compiled by author from Microcredit Summit Campaign.

1.3 Financial Sustainability

This subject has been widely debated in relation to microcredit because of the dilemma faced by Micro-Finance Institutions when having to decide between financial sustainability versus the option for social impact on poverty. Extreme positions have been expressed along with others that seek a middle ground.

One opinion is that the goal of Micro-Finance Institutions must not be to achieve financial sustainability and that their operations must be financed through donations from companies or the governments of wealthy countries. Another opinion is that the survival and growth of MFIs can only be achieved to the extent that they ensure their own financial sustainability.

An alternative has been set forth by Berezo (2005), who cites Hulme and Mosley (1996), to the effect that Micro-Finance Institutions must take greater risks when granting credits, with the resulting decrease

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in the rate of recovery, if they seek to generate impact on poverty reduction through the awarding of microcredits, the end result of which would not ensure financial sustainability.

Much of the debate thus focuses on profitability and one of its fundamental elements, the interest rates applied to microcredit, which essentially requires higher rates than normal credits given the operational conditions of Micro-Finance Institutions, to enable them to deal with their own costs and expenditures while generating surpluses for investors or for reinvestment in their operations.

Berezo (2005) proposes that financial sustainability must be one of the mechanisms taken into account to achieve the objective of reducing poverty, giving it the status of a means, rather than an end in itself for MFIs, and thereby ensuring their durability along with fulfillment of their objective. That same author considers that, initially, an MFI must be subsidized because it does not have a sufficient volume of operations to permit self-sustainability, but with the passing of time, it must improve its management to achieve financial autonomy.

Due to these new conditions imposed by the market, many entities engaging in microcredit have increased the costs of their products and services and changed their focus so that they have ended up operating like traditional banking entities and abandoned microfinance. At the same time, those who have stayed in the field of microfinance have raised their microcredit interest rates to levels above those of other types of credits provided by the traditional banking sector.

Micro-financing entities have gradually become more efficient in handling resources and have been able to increase their operations to the point where they can fulfill their objective while being financially profitable. This situation has been more evident in regions of the world where microfinance has had its greatest development and most successful cases, such as in Latin America and Asia. In Latin America, nearly 80% of microfinance entities were financially sustainable in 2000 and in Asia the corresponding percentage was around 60% for that same year. By way of contrast, sustainability levels in Africa are still very low. Such sustainability levels in these regions came about because microfinance initiatives have entered significant markets, creating and fostering a microfinance culture among populations in which it is present, receiving state support for its projects and improving the growth and development of the economies of these regions. This situation has not yet arisen in Africa, where the level of economically sustainable micro-financing entities is barely 30%. That is because in many cases, microfinance has not received state support and poverty and misery levels in the region are so high that even microcredit requirements conditions are very difficult to fulfill for much of the population. The problem has been made worse by the failure to disseminate the advantages of microcredit among the population. That is why, since 2001, the "Microcredit Summit," at its annual meetings, has paid special attention to the situation in Africa and emphasized the need to disseminate and replicate success cases in this region, such as those in Zambia or South Africa.

1.4 Financial Cluster

With the development of microfinance starting at the end of the past century and its worldwide expansion, there has been an increasing trend towards specialization in that field. Micro-Finance Institutions currently work to specifically serve a particular population sector, such as women, micro-businessmen, farmers, exporters and many others.

This specialization among the different microcredit actors has led to the organization of microfinance productive chains or clusters around diverse economic activities. These include second-tier banks, first-tier Micro-Finance Institutions, Non-Governmental Organizations, cooperatives, entities that grant bank

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guarantees, others that provide consulting or training associated with microcredit recipients, entities specializing in research and consulting and finally the provision of another set of financial services associated with sectors such as insurance among others.

In this sense, the next step is to organize the clusters into centralized and truly coordinated entities, because while in many cases there is complementarity of products and services and even partnerships among entities that provide microcredit, their objectives are different or the cluster is not visible to people.

1.5 Needs vs. Microcredit

When comparing the situation of the needs of the poorest population with what is offered by the Micro-Finance Institutions, it is clear that their main need is for access to funds, whether to enable them to generate a source of alternative income or to ensure the functioning of an already-existing one, so as to fulfill their basic needs. This is clear in the situation of Doris Iwhiwhu, a Nigerian woman whose case was heard at the 2007 Microcredit Summit, where she said that "Things were difficult, it was hard for us to deal with this and satisfy our families' basic needs; my children were hungry and my frustration increased every day" (Daley-Harris, 2007).

That was because her family's only income was her husband's salary, who worked as a government employee. Needing to find a solution, she decided to open her own business to sell fruit in order to generate additional income for her family. However, while she and her husband were able to put together enough money to set up the business, at first it produced only enough to maintain it and the profits were insufficient to cover her family's needs. She therefore decided to enlarge her business. Lacking the funds to do so, she chose to seek a loan. She consulted with some of her lady friends from the community and decided to turn to a Micro-Finance Institution in her region called Lift Above Poverty Organization, or LAPO. There, after attending a six-week training program on how to handle this type of credits and other tools for administering small businesses, she gained access to an initial credit of US $64 that enabled her to acquire products in larger quantities and thus make her business grow. After paying back her credit satisfactorily, she was able to obtain increasingly larger credits for as much as US $240, which she considers to have been decisive for the success of her business and the well-being of her family: "The regular loans from Lift Above Poverty Organization have really helped me with my fruit store and therefore my entire family, because we do not depend solely on my husband's insufficient salary. One positive aspect of the loans is that they are not difficult to repay because they have reasonable terms. There is no other financial institution around here that could provide that type of aid to people such as me, without guarantees."

Examination of this case and the words of Mrs. Iwhiwhu clearly show the difference that access to credit resources makes for such individuals, who normally lack the economic capacity to finance enterprises with their own means. If they do not have access to credit, it becomes very difficult to gain access to additional or better income and improve their living conditions. It also involves another situation typical of the second most important need of the poorest populations. Beyond access to funds, they also need this access to be under reasonable conditions within the reach of their possibilities, which is not always possible.

As mentioned by Mrs. Iwhiwhu, Lift Above Poverty Organization was the only Micro-Finance Institutions present in her region. While the funds and scope of microcredit have increased considerably in recent years, their scope in the poorest zones continues to be limited or lacking. People who do not have access to only Micro-Finance Institutions frequently resort to informal lenders, who, while they provide

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the funds, do so in conditions that reduce the benefit that the borrowers could hope to obtain from this type of credit, because the time frames are very short and the interest rates are too high.

These exorbitant interest rates mean that a large part of the benefits from the activities in which such credits are used end up with the lenders in the form of interest rather than the beneficiaries of the credits. There is thus the need for greater presence by only Micro-Finance Institutions in the poorest and most remote zones so that those who need funds can have access at reasonable interest rates that enable them to derive greater benefit for themselves and their families than what they could obtain by resorting to informal lenders.

Finally, there are the needs that go hand-in-hand with microcredit services and give rise to the concept of microfinance. When people have access to funds and are able to increase their incomes along with their living standards, the need arises for a system to enable them to generate savings and mobility of their funds. In response to that situation, the entities are in a process of modernization, making the transition from organizations focused exclusively on microcredit to becoming comprehensive ones that provide additional possibilities for their beneficiaries.

1.6 Flexibility of Interest Rates

Due to the kinds of needs that microcredit aims to satisfy, its social function and the type of population affected, along with the additional risk that this entails, the act of charging interest and the interest rates themselves are the subject of frequent debates at the global level. That is because market conditions and regulations mean that microcredit interest rates are normally higher than those for other types of credit, as mentioned by Avendaño (2006): "…apparently there is a contradiction between the goal of poverty reduction and the reality that places the financial costs of microcredit on the same level as the highest costs of the formal market. For the ordinary citizen, it is not clear why many governments approve those levels with regulations that permit the financial sector to charge additional costs on top of those charged for other types of credit."

At the same time, microfinance entities justify the high rates citing the additional risk that they must assume, because their clients' profiles are much riskier. That is because in most cases the clients lack stable income, do not have properties to effectively support their debt, have no credit history or one that is less than optimum, and finally lack advanced education levels. Additionally, there are higher administrative costs for these entities because they frequently must attend to their clients at their places of residence or employment, particularly in the case of farmers and micro-businessmen, instead of at their own offices, or they must establish offices at remote locations that imply greater expense and risks.

All of this must be compensated by the interest rates charged for their credits. So that if government regulations force these entities to charge interest rates that are insufficient for covering such expenses, many prefer to withdraw from the most costly and riskiest markets, which in most cases are the poorest and most vulnerable, such as occurred in Nicaragua: "There was evidence of a market contraction in Nicaragua after the national parliament in 2001 placed a ceiling on interest rates for specific types of lenders, including micro-financing Non-Governmental Organizations. Annual growth of the portfolios of such micro-financing entities has decreased by 30%, to less than 2% annually. Imposition of a ceiling on interest rates also led to the withdrawal of various micro-financing entities from rural areas where operational risks and costs are highest" (Helms and Reille, 2004).

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Thus the dilemma that while controlling interest rates results in a decrease in the offering of microcredit, allowing complete freedom in the flexibility of interest rates causes interest rates for microcredits to rise to levels that are harmful for their beneficiaries, particularly when clients are poor. In this manner, some countries have tried to find a balance between these two situations, permitting flexible rates but with a ceiling for usury, which has in turn led to controversies among the diverse sectors of the financial system. These rates continue and pose one of the greatest challenges for the future of microfinance despite government efforts to lower the risk for micro-financiers.

1.7 The Government: A Facilitator

Over the years, the role of public institutions in representation of governments in the microcredit market has been of fundamental importance for its development. That is because microcredit and microfinance are aimed at a population segment that represents the base of the social pyramid. Microfinance thus acquires a greater capacity than any other type of credit and/or aid in terms of impact on poverty reduction. This factor takes on greater relevancy in the context of Micro, Small and Medium Enterprises, which, being business units that mostly involve personal or family subsistence businesses or whose impact focuses on zones with high poverty rates, are particularly important in terms of the contribution that they can make in raising the quality of life for the poorest people. In the words of Foshiatto and Stumpo (1996): "Despite the numerous problems that affect small-scale productive units —which include lack of technological knowledge and scarcity of material, human and financial resources— there is no longer any doubt about the relevance of that productive segment in terms of its capacity to generate employment and improve people's incomes."

This capacity, and in response to the problem of lack of access to credit resources for developing Micro, Small and Medium Enterprise, was what led different governments to view microcredit and subsequently microfinance, as a solution to this problem and a tool to support the Micro, Small and Medium Enterprise sector, while contributing towards raising the living standards of the poorest populations, as confirmed by Foshiatto and Stumpo (1996): "Microcredit is a particularly interesting instrument for supporting small productive units, which are a potentially effective tool, above all because of their capacity to penetrate different activity sectors and constantly adapt their methodology, which enables them to provide financial support to socioeconomic strata that are generally excluded from traditional banking circuits."

In this way, governments began to support microcredit initiatives, initially directly through credit entities targeting the agricultural sectors, as was the case of the Caja Agraria in Colombia. With the appearance of Non-Governmental Organizations engaged in microfinance in the late 1970s and greater interest in microcredit at multilateral credit entities (such as the Inter-American Development Bank or World Bank) in the early 1980s, due to successful cases of various such Non-Governmental Organizations, such as the Grameen Bank, governments changed their focus and began to combine their own initiatives with others, particularly Non-Governmental Organizations. Coordination was thus established with the Non-Governmental Organizations and advice and support was provided on obtaining credit from the multilateral entities. This led to a significant change, in which governments went from being an active part of the microcredit market to become more of a facilitator that guarantees the best conditions for the development of private participants in this market.

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This trend became accentuated in the 1990s, initially because of the entry of entities other than Non-Governmental Organizations in the microcredit market, such as cooperatives and certain banks. Another factor was the boom in the concept of microfinance at the century's end, as a more complete system than microcredit. Additionally, governments in many places began to focus on the definition of regulation of the microfinance markets and to support supplementary services beyond microcredit in microfinance programs, such as training, health and others.

However, in the early 2000s, a flaw in the system became apparent, in which the initiative was completely left to the private sector. Because of the need to be financially sustainable and, in certain cases, generate positive results to be able to respond to their shareholders or creditors, the Micro-Finance Institutions were not reaching the neediest with their services nor the most remote populations. Thus in recent years, certain governments have decided to supplement the private microcredit offering with initiatives of an official nature.

1.8 The Cooperators: Hand-in-Hand with the Private Sector

The providers of capital for use in microcredit programs constitute a key element of microfinance. These cooperators, who can be of a public, private or multilateral nature or even a combination of these characteristics, must in particular be able to satisfactorily adapt to the nature of microcredit: they must be willing to reallocate part or all of their possible investment credits (compared with yields that would be produced if they were invested in another type of loans) and to grant longer terms for repayment then those provided by the traditional banking sector for other types of credit. Microcredit clients, who normally have low incomes, require special conditions with respect to terms for repayment and interest rates in order to gain access to credit.

In this sense, the large microfinance cooperators have evolved. In the 1980s, microcredit initiatives were entities from the public sector that undertook programs to strengthen the agricultural and livestock-raising sector. In the 90s, multilateral agencies such as the Inter-American Development Bank or World Bank began to view microcredit as an effective way to combat poverty. They therefore began to finance microcredit programs led by both public and private institutions. This gave rise to the appearance of various Non-Governmental Organizations in the early 1980s, along with collaboration between them to enable joint access to large-scale credits provided by these multilateral agencies. In the 90s, the cooperative sector became an important factor in the microcredit market. The cooperators were large groups of people who provided funds as members and savers at these entities.

Finally, at the end of that decade, another system began to operate in which the share of private capital was relevant. On the one hand, the traditional banking sector began to look with interest at the microcredit market, encouraged by examples of various successful Micro-Finance Institutions. Options for microcredit beneficiaries thus increased to a great extent, along with available capital. However, given the need to generate results and yields, traditional banking has only been able to cover the wealthier segment of these beneficiaries while failing to reach the poorest. Additionally, there is the system of guarantees, in which these entities, mostly governmental, while they do not directly loan funds, do act to provide support or to guarantee the beneficiaries before the Micro-Finance Institutions. This in turn enables them to more easily fulfill the requirements imposed by the Micro-Finance Institutions and thus gain access to funds, whereas for the entities this represents a very significant decrease in the level of risk from such credits.

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2. FINANCIAL INCLUSION: A TASK UNDER WAY

For the United Nations Capital Development Fund (UNCDF) (2015), financial inclusion is defined as "Access at a reasonable cost for all households and businesses to the full range of products that could be "bankable", including savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, transferences in local currency and international remittances;…"

Financial inclusion has become an element of development about which diverse bodies, both regulators as well as cooperation agencies, have spoken and formulated policies and strategies for its worldwide dissemination. Diverse institutional initiatives promoted by international entities now exist, along with efforts by governments that in general have established inclusion as one of their objectives while including it on their development agendas for future years. In doing so, they seek to expand financial services coverage and thereby generate more and better opportunities for micro and small businesses, an important aspect in improving the quality of life for the population in general.

Previous studies have established that financial inclusion also facilitates business formalization, increases access to formal credit in the financial system, whether through traditional banking or microfinancing institutions, reduces income disparities, increases investment in education, aids the growth of local business initiatives, has positive effects on savings, improves handling of cash by users, controls consumption and facilitates the accumulation of working capital, according to Attanasio, Augsburg, De Haas, Fitzsimons, and Harmgart (2011), and Augsburg, de Haas, Harmgart, and Meghir (2012).

At the macroeconomic level, Levine (2005) established that increasing the coverage of financial services has a positive impact on job creation and a country's economic growth.

2.1 Criteria for Measuring Financial Inclusion

To determine progress in financial services coverage, the Alliance for Financial Inclusion (AFI)(López, 2013) has proposed measurement systems focusing on four fundamental elements:

- **Access:** The aim is to determine countries' capacities for providing opportunities for access to the financial system for the general population. Aspects such as costs and distances between users and the points of attention of financial institutions are considered.
- **Quality:** The objective is to establish the relevance of services offered compared to the real needs and expectations of the population, taking into consideration such aspects as lifestyle, variety of products and available alternatives for use of financial services.
- **Use:** The goal is for users to be more than just customers of the financial entities while consolidating their permanence in the system and their regular use of financial services. This takes into account the combination of financial products by individuals or family groups and their diversity, including savings and credit products for example.
- **Well-Being:** Refers to the impact of the use of financial services on people's living standards. Among other aspects, it takes into account growth or change in business activities, modification of patterns of consumption and improvements in activities involving education, recreation, health and in general all those associated with well-being.

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2.2 Progress and Obstacles

Development of the markets has led financial institutions to broaden their offering of services and in this sense, insurance, payments and mobile money have been part of the strategy to facilitate access by more people to the financial market. This has fostered a reduction in transaction costs, an acceleration of economic activity and better quality in the provision of social benefits (Jack and Suri, 2014).

The strategies and efforts made have had good results. Between 2011 and 2014, financial services coverage has risen considerably; whereas in 2011 just 51% of adults reported having a bank account, in 2014 the figure had reached 62% of the global population, with huge disparities. 91% had accounts in high income economies, 54% in developing countries and just 14% in the Middle East.

At the same time, the Consultative Group to Assist the Poor (2014) has found evidence of the impact that financial inclusion has had on people's quality of life, compiling diverse macro and microeconomic studies in different countries. Despite the heterogeneity of the research and the dissimilar conditions among the countries where these studies were made, financial inclusion and the use of microfinance, particularly microcredit, have had beneficial consequences for countries where such programs have been implemented.

The positive effects of financial inclusion on living conditions include the following:

- **Mongolia:** Group loans resulted in increased food consumption, in both quantity and quality. According to the authors' hypothesis (Attanasio, Augsburg, De Haas, Fitzsimons, and Harmgart 2011), joint responsibility fostered discipline in the selection and execution of projects, leading to long-term improvement in people's food consumption patterns.
- **Philippines and Mexico:** Access to microcredit improved the ability of micro-businessmen to take on risk, particularly in agricultural and cattle-ranching activities (Augsburg, De Haas, Harmgart, and Meghir, 2012).
- **South Africa:** Improved conditions for obtaining credit led to greater food consumption in the households of credit beneficiaries, improved their health conditions and decision-making processes as well as their life goals and future perspectives (Karlan and Zinman, 2010).
- **India, Morocco, and Mongolia:** Access to credit has had significant impacts on decreasing depression and on the self-confidence and powers of decision of women in the home, along with greater control over the consumption of non-programmed "temptations" (for example, tobacco).
- **Kenya:** Access to the programmed savings modality, with the stipulation of no withdrawals until the goal is reached, enabled beneficiary women street vendors to improve their health conditions and those of their families, and to increase their food consumption and investment in their own businesses, in contrast to others who lacked access to programmed savings accounts.
- **Malawi:** Programmed savings improved the volume of investment in businesses, and increased their expenditures and agricultural activities (Brune et al., 2013).
- **Mexico:** A strategy to increase coverage by opening bank branches in retail shops resulted in an increase of around 7% in the incomes of the inhabitants of the sector of influence of the branches, compared with people in similar sectors that lack access to a bank branch (Bruhn and Love, 2013).
- **India:** Government requirements between 1977 and 1990 promoted the opening of bank branches, which, according to a study carried out by Burgess and Pande (2005), caused a significant decrease in poverty rates in the rural zones of the country.

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At the level of business, microcredit has led to a considerable decrease in preventive savings accompanied by an increase in consumption due to the perceived security of having access to funds in cases of immediate need. The diversification of alternatives for obtaining credit, such as granting grace periods, has fostered an increase in the acquisition of durable goods and the existence of increasingly diversified inventories. After three years, a sustained and considerable increase in profits had been achieved by entrepreneurs.

However, despite great efforts that have been made to increase the use of financial services, the percentage of the global population that are users remains low. According to figures provided by the World Bank (2015), around half the world's adult population (approximately 2.5 billion people) are not users of formal financial establishments, 75% of the poor do not have bank accounts and one third of them have never made use of the services of these institutions.

The reasons are diverse: In some countries, there is a high degree of mistrust of the traditional financial system, which limits financial inclusion, particularly at entities that handle a low level of risk. This leads people to search for other savings mechanisms, most of which are informal.

By nature, the poorest populations seek financial services in which risk is minimized, even at the risk of losing possible profits, which translates into disincentives to handing over their scarce funds to a third-party who does not inspire their complete trust. In that sense, the crises of the financial system have been one of the factors that generate greater distrust for financial inclusion.

Very few countries over the last four decades have not experienced at least one financial crisis; these exceptions do not include any European country, just one in the Americas, namely Canada, two in Oceania, Australia and New Zealand, and 14 between Africa and Asia, with 7 from each continent (World Bank, 2015).

The Global Findex proposes additional reasons that restrict the growth of financial inclusion. These include, in addition to conditions of poverty, other reasons for not having financial products, such as the high cost of belonging to the system, excessive paperwork and the impossibility for many people to fit traditional banking profiles, the existence of informal financing markets and long distances to points of attention (World Bank, 2014).

Informality in the offering of financial services exists as an alternative in order to eliminate many of the obstacles of the formal market, including regulated entities and those which, despite being unregulated, have adapted to the legal conditions of the market. In developing economies, it has been found that 55% of those who apply for loans use informal credit sources, encouraged by easy access to savings as well as credit products, despite the fact that, in the latter cases, interest rates tend to be much higher than those charged in the formal market.

2.3 The Challenge of Improving Financial Inclusion Levels

One of the most important conditions for financial inclusion is the responsibility with which it must be undertaken. Clarity in the dissemination of information, the costs involved, the obligations acquired by users and the impacts that financial services have on people's financial culture are aspects that must be taken into account when designing policies and products for access to financial products. Also, the offering of financial services must be in accordance with the needs of the context, because each population has different social, cultural, economic and financial conditions, which means that the products offered must address those conditions. Even in similar contexts, there can be differences among social

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groups with different characteristics and needs, so that efforts for inclusion are supported by specific and relevant products for each circumstance.

That being the case, the formulation of financial inclusion programs must aim to close currently existing gaps. In terms of gender, the challenge is to increase the use of financial products by women. In 2014, whereas 55% of men had bank accounts, only 47% of women did. In terms of age groups, the number of young people able to gain access to financial products is 33% less than that of older people and the difference between the two groups in terms of having the possibility for saving is 40%. In low income economies, around 35% of city dwellers have bank accounts, compared to just 22% of those who live in rural areas (World Bank, 2014).

On the other hand, in high-income economies, the most significant gaps involve levels of education; those who have attended a university are 20% more likely to have a bank account than those without such training. At the same time, the wealthiest 20% of the population has three times the possibility of having a bank account than the poorest 20%.

It is thus clear that great efforts for financial inclusion must be made with respect to women, young people just beginning their financial lives and who are normally younger than 25, people in the rural sector, those with low incomes and those who have lower levels of education.

Given the growing technological development, increased coverage in mobile communications services and changing habits of consumption among the new generations, methods for achieving participation by a greater number of users need to be in accordance with this new reality. The design of electronic means of payment and the provision of mobile banking services and other innovations in products as well as technology are a valid alternative to reach this objective. However, there must be guarantees so that, beyond access to services, frequency of use is promoted, thus consolidating behaviors that enable users to remain in the financial market, with the above-mentioned consequences that this poses for improvement in living conditions and the economies of countries that achieve inclusion.

One of the big obstacles to financial inclusion is the low level of financial education, in response to which programs have been designed with the fundamental goal of making users aware of their possibilities for access to products and the improvement of consumer protection conditions in the financial markets (European Economic and Social Committee, 2011). Since 2007, the European Commission has promoted financial education, promulgating its eight basic principles that same year, namely:

- Financial education must be actively promoted and continuously made available during all phases of life;
- Financial education plans have to be carefully crafted to satisfy citizens' specific needs and be easily accessible and opportunely available;
- Consumers must receive education about financial and economic matters as soon as possible, beginning in school, and, preferably, such education should be included in the general curricula of the schools;
- Financial education plans must include general instruments for sensitization about the need to improve understanding of financial problems and risks;
- Financial education made available by financial service providers must be fair, transparent and impartial; efforts must be made so that this education will always benefit the interests of consumers;
- Educators in this field must have adequate training and resources;

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- National coordination among stakeholders must be promoted and must increase international cooperation among financial education providers, with the aim of facilitating the sharing of good practices;
- Financial education plans should be periodically evaluated and, where necessary, updated (European Economic and Social Committee, 2007).

According to these principles, financial education must also address variables such as age, needs, and the social, family and employment situation and must become a joint effort by the public and private sectors to include the design of policies as well as relevant products adapted to the needs of the population.

3. NECESSARY ACTORS AND MEANS FOR DEVELOPING MICROFINANCE

Microfinance as a tool for poverty eradication has fulfilled its role. However, possibilities still exist for increasing its impacts on the social and economic conditions of the poor. In that sense, solutions must include participation by diverse actors from the governmental and private spheres.

Development of the market has enabled participants other than those from the traditional financial market to take part. With the aim of achieving financial inclusion, such financial service providers include Non-Governmental Organizations; cooperatives; community development institutions; commercial and state banks; insurance and credit card companies; telecommunications and telegraph services; post offices, and other businesses that offer access to point-of-sale (POS)" (World Bank, 2015).

With the proliferation of participants in the market, it has become possible to bring financial services to the places of residence of potential users, thus surmounting one of the most important obstacles, namely, distance to points of attention.

In this enlargement of the market, banking correspondents, networks for attention for financial services that decentralize the location of branch offices and use diverse mass-market networks such as neighborhood grocery stores or courier service providers, lotteries or others have taken on significant importance, thus improving geographical coverage. Clear examples of the efficiency of this system exist in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Peru and Venezuela, as well as in other nations in Asia and Africa (Alliance for Inclusion, 2010).

Despite great progress, microfinance faces a much broader challenge than mere financial inclusion. This involves the possibility of generating venues in which micro-businessmen could develop and grow their businesses, which are normally subsistence initiatives, consolidate them and convert them into a backbone for economic growth.

This effort does not exclusively depend on the offering of financial products through the above-mentioned channels; it instead requires decided action by supplementary actors who, from their own vision, help to build favorable scenarios for business development.

According to studies by Avendaño, Daude, and Perea (2013), the number of micro, small and medium-sized enterprises account for around 90% of the world's entrepreneurial fabric, and a very high percentage of these, which significantly varies from country to country, lack possibilities for access to credit in the formal financial system, among other reasons because they do not fulfill legal requirements for receiving credit or because they lack sufficient guarantees to support the amount of the credit.

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On the other hand, the Institute for Study of Argentina and Latin American Reality (IERAL, for its acronym in Spanish) (Cohen, 2010), in research on access to credit in Latin American countries, found that, whereas in Argentina, 72.5% of small enterprises have had or have credit with duly established credit establishments, this proportion drops to 25.6% in Venezuela, showing the existence of huge differences between the possibilities for access to credit among these two countries, to cite only the most extreme examples.

Facts such as these show that mechanisms must be established to provide financing options to the smallest entrepreneurs. In this sense, there is a need to determine common problems and propose alternatives adaptable to each specific situation. Some of the common problems of entrepreneurs, at the global level, are as follows:

- Lack of access to the financial market, due to the conditions they require for granting credit, such as having co-signers, collateral to support the debt, etc., along with high interest rates for microcredit, which in most countries are higher than the rates for ordinary or consumer credit.
- Technological backwardness and a shortage of qualified labor available in the market for certain specific tasks.
- The fear of small entrepreneurs that submitting financial statements will cause them to reveal information that will force them to pay higher taxes.
- The search for tax evasion (Organization for Economic Cooperation and Development, 2013).

In this manner and in accordance with the customer profile for microcredit programs, such customers mainly have four needs:

- Capital at low interest rates.
- Lenient conditions and terms.
- Training in how to handle these funds.
- Personal self-realization.

In order to satisfy these needs and with the possibility that microfinance can be strengthened as a valid financing alternative for micro and small entrepreneurs, the financial markets already have certain lessons learned:

- Microcredit can be financially sustainable.
- Regulation of Micro-Finance Institutions must be as strict and effective as that applied to traditional banking entities.
- Microcredit is a very efficient tool in the fight against poverty.
- State participation is fundamental for the development of microfinance.
- It is necessary to build a competitive market for microfinance in the country, which would generate products with lower interest rates and better services for the population.
- Microfinance must conserve its fundamental goal of helping to decrease poverty to avoid what is currently happening, namely that the fundamental objective of some Micro-Finance Institutions has become the pursuit of profit, so that they no longer benefit “the poorest of the poor”.

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With the understanding that access for micro-entrepreneurs to financing is one of their fundamental needs, microcredit can become consolidated as a fundamental tool in a process for insertion of micro-entrepreneurs into formal economies. However, to do so it will be necessary for government policies to aim to create conditions in which micro-entrepreneurs would understand the advantages of the financing scheme offered to them, the requirements and demands involved and would progressively comply with such conditions.

Despite ignorance of many existing norms and difficulties in their application, entrepreneurs show no fear of entering the formal credit market as long as this does not lead to increased costs for their business activities.

In that context, providing financial resources alone is insufficient to achieve entrepreneurial development. It is of fundamental importance that, along with facilities implemented for this purpose, conditions be created to encourage beginning the process of access to microcredit, and therefore its insertion into the formal financial market, by means of duly authorized institutions. Some involve government decisions such as the elimination of interest-rate ceilings for microcredit or an increase in them, along with a policy to eliminate premiums as one of the financing mechanisms for entrepreneurs or micro-entrepreneurs. Others would commit financial intermediaries, who must have goals for the provision of funds but with terms in which the coverage target is set. In other words, benefiting those least favored while providing the possibility for access to working capital for those who require minimal amounts, in accordance with international standards for startup or continuity of their entrepreneurial initiatives and not in the framework of national conditions expressed above.

However, creation of this environment, using these and other measures, is insufficient. As a general condition, the starting point must be that of the original microcredit; in other words, besides providing funds, there must be entrepreneurial accompaniment for businessmen with respect to the necessary tools for effectively carrying out their work. It has been proven that in the current framework of laws and regulations in many countries, it is impossible to provide quality accompaniment. That is because of the costs involved and the great demands that should be placed on those who currently fulfill this role, and during whose working hours they can barely carry out superficial follow-up on the investment of funds, without being able to explore the comprehensive functioning of a business.

CONCLUSION

Although its eradication has acquired its own dynamic and have achieved very important results, poverty is still a social problem that afflicts about one million people worldwide.

Among several causes of poverty, it has been concluded that the lack of access to financial services is one of the aspects that affects the most, for people to remain in that condition and therefore governments, multilateral agencies and non-profit organizations, are committed to implement financial inclusion programs that allow easy access of poor people into the formal financial market.

Financial inclusion is achieved that people use more efficient savings mechanisms away from traditional savings in cash or through communal systems that blend with credit, consequently resulting in a greater awareness of the importance for the future personal and business initiatives.

The main challenge is to ensure access to financial products, however, this task is more difficult when it doesn't exist a system that allows people to have a minimum level of financial education, so the

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first task is to reach a level of financial education from an early age, but without neglecting the adult population, with which the knowledge of financial products gets strong and the benefits they bring in the long term to the poor person.

So, the responsibility involves governments to through public policies generate the favorable scenarios for financial inclusion and thus the scope that microfinance can play in improving the living conditions of the population.

Microfinance, in essence, are part of the solution given the market they must address, but this gap that currently exists between microfinance institutions should be closed, including those preserving its social sense assume financial sustainability problems and those that searching have taken the plunge and is much more like traditional banks.

In order to continue to identify opportunities for overcoming poverty, it's suitable studying the specific conditions they have in different environments, regions or countries, and from it can be designed microfinance products tailored to the needs of each market and serve as an instrument for social mobility.

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ENDNOTE

[1] A small group of high-level individuals, officials from multinational financiers and important NGOs with global coverage, who view micro-businesses and small businesses as the backbone of economic development and their contributions as vital for the welfare of society, particularly in poor rural zones, and see micro-financing as a mechanism to support such enterprises.

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Chapter 20
Political Consumption as Supplement to Conventional Political Participation in Promoting Social Change

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ABSTRACT

Research indicates that individual consumers with food safety, environmental and ethical concerns regarding the provisioning of food may be motivated to use the marketplace as a site for political action to promote social change—a phenomenon known as political consumption (PC). Using data from Ohio 2007 Survey of Food, Farming and Environment, this research examined individual level attributes shaping engagement in PC and conventional political action. Findings based on logistic regression analyses, reveal that engagement in conventional political behavior is positively related to the likelihood of engagement in political consumption. This suggests that engagement in conventional political action and political consumption are not mutually exclusive. The main factors associated with engagement in political consumption are: knowledge about food production, environmental and food safety concerns. These findings suggest that consumers with concerns about the organization and character of food production believe they can create social changes via their consumptive decisions.

INTRODUCTION

Evidence from survey research indicates that individual consumers with food safety, environmental and ethical concerns regarding the provisioning of food may be motivated to use the marketplace as a site for political action to promote social change (Goodman & DuPuis, 2002; Stolle & Micheletti, 2013). The use of the marketplace as a site for political action is a less studied form of political participation (Giddens, 1991; Galston 1991; Micheletti, Follesdal, & Stolle, 2006) and reflects a recognition of material products as embedded in a complex social and normative context (Micheletti, 2003).

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New forms of political participation such as buying or boycotting products based on political or ethical values may reflect consumer perception that existing political institutions are inadequate to address citizen concerns; and reveal that traditional forms of participation are increasingly inefficient and less suitable to the nature of political problems in post-industrial societies (Inglehart & Baker, 2000; Norris, 2002). In that regard, buying certain products to support their sales, boycotts, the forwarding of political e-mails about the labor practices of companies, are emerging political action repertoires through which citizens circumvent traditional (conventional) channels for political participation to directly confront the companies and the market (Baek, 2010). This sort of politically motivated pattern of consumption is consistent with assertions by Inglehart (1997) and Norris (2002) that engagement in conventional forms of political behavior (contacting public officials, signing petitions etc) is declining whereas unconventional political behavior such as boycotting a product is on the rise.

The engagement in new forms of political participation such as boycotts and buying certain products to support their sale in order to address public concerns can be labeled as political consumption, which Micheletti (2003) defines as buying or boycotting of products or services based on political or ethical values and with a motive for change. Baek (2010, p.1066) defines political consumption as a consumer's decision to punish (i.e. boycott) or reward (i.e. buycott) private companies by making selective choices of products or brands, based on social, political or ethical considerations. Webster (1975) describes a political consumer as someone who takes into account the public consequences of his or her private consumption or who attempts to use his or her purchasing power to bring about social change. Political consumers use their knowledge, buying power and organizing power to demand certain changes (Dixon, 2003). Such changes could be with respect to food safety, environmental, labor and production practices.

Togeby (1993) offers another perspective regarding new forms of political participation. According to him, new kinds of political participation differ from conventional forms in terms of how they mobilize new social groups into politics. This view is called *the mobilization theory*. He also formulated the *supplement theory* which states that those who employ new modes of participation are already involved in traditional forms of political participation. In that regard, new forms of political participation are an extension of the conventional participation repertoire.

RESEARCH PURPOSE

While most researches focus on understanding the factors associated with conventional political behavior (Verba, Schlozman, & Brady, 1995; Peterson, 1990), few studies have examined engagement in political consumption compared with conventional political behavior (Barnes & Kaase, 1979; Norris, 2002; Micheletti et al., 2006; Stromsnes, 2009; Sandovici & Davis, 2010). Similarly, although political consumers engage in conventional participation acts just as often as others, they are skeptical about the effectiveness of these methods, and this corresponds to the fact that, in general, they have less trust in established institutions (Stolle et al 2005, p.260). They noted further that these citizens (political consumers) are not alienated; they continue to engage in conventional forms of participation, although they are aware of their limitations (p. 263). In addition to that, Peterson (1990); Barnes and Kaase (1979); Stromsnes (2009); Sandovici and Davis (2010) reported that conventional and unconventional forms of political participation are combined by politically active citizens; and Tarrow (2000) argues that those engaging in political consumption are the same people who participate in conventional forms of political behavior. There are virtually no studies that explore the relationship between an individual's views of

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food safety, environmental concerns, characteristics for purchasing food, etc. and engagement in political consumption in the Unites States. This research seeks to fill such gaps in the literature focusing on food and environmentally related data to examine individual level attributes shaping engagement in political consumption and conventional political action and how political consumption supplements engagement in conventional political participation in promoting social change.

DATA SOURCE AND SAMPLING PROCEDURE

The data for this research are from Ohio 2007 Survey of Food, Farming, and the Environment. The primary foci of the survey included food activism and the environment, food consumption and political views on national affairs. This survey was conducted in summer 2007 by Faculty of the College of Food, Agriculture and Environmental Sciences, in collaboration with the Ohio Agricultural Research and Development Center.

Experian HS, a private firm, was contracted to generate a random sample of Ohio Households in May, 2007. A proportionate stratified random sampling procedure was used. Two equal sized strata were sampled, with 1500 sampled from households in each of the core metro and fringe strata. A mail survey was administered using Dillman's Tailored Design Method (Dillman, 2000). Up to four mail contacts were made with each of the selected households. The mailings included: a pre-notification letter; a cover letter and survey instrument; a reminder postcard; and a replacement survey if necessary. The overall survey response rate was 34.7%. The final data set was weighted to ensure that each stratum is proportionately represented.

MEASUREMENT OF DEPENDENT VARIABLE

Conventional Political Behavior

Conventional political behavior was measured by asking about engagement in the following types of political action: talked to, emailed or written to a politician or government official; signed a petition; attended a political meeting or rally; contributed money to an organization. Respondents were asked to indicate whether they engaged in any of the above behaviors in the last 3-4 years. Response categories were dichotomous, with Yes=1, and No=2. These responses were recoded into Yes=1, and No=0 for data reduction purposes and logistic regression analysis. A scale of conventional political behavior was created. The total number of cases where a conventional political behavior was reported was counted for each of the types of the behavior. The range of conventional political behaviors engaged in ranged from 0 to 4, as shown in the descriptive statistics in Table 1. Forty-five percent of respondents engaged in none of the four forms of conventional political behavior; 15.4 percent engaged in only one of the four forms of political behavior and 8.5 percent engaged in all four forms of political behavior.

With 45 percent of respondents not engaged in any of the four behaviors and the rest (55 percent) engaged in at least one of them, the conventional political behavior variable is skewed. In order to identify the factors that are associated with engagement in at least one form of conventional political behavior, the distribution was transformed, with those who have not engaged in any behavior coded (0) and those who have engaged in at least one form of the behavior coded (1). This will allow binary logistic regression analyses.

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Table 1. Count of occurrences of conventional political behavior

Count Occurrence of Conventional Political Behavior	Frequency	%
0	442	45.2
1	151	15.4
2	160	16.4
3	140	14.4
4	83	8.5
Total	960	100

Political Consumption

Political consumption was measured by asking about engagement in the following types of political action: boycotted any food types or brands in protest about food issues; bought particular foods or brands in order to support their sale; complained to a retailer (supermarket) about the food they sell; protested about food issues, either in person, by phone, by letter or e-mail; spoken to colleagues, family members, or friends to express support for any aspect of livestock farming.

The response categories for political consumption were dichotomous, with Yes=1, and No=2. Respondents were asked whether they engaged in any of the above political consumption repertoires during the last 12 months. These responses were also recoded into Yes=1, and No=0 for data reduction purposes and binary logistic regression analysis.

Similar to the conventional political behavior scale, a political consumption scale was created. The number of occurrences of engagement (Yes) in political consumption was counted for each case. The range of engagement in these types of behavior was between 0 and 5 as shown in Table 2. Forty-five percent of respondents were not engaged in any of the five forms of political consumption; 25.4 percent were engaged in just one of the five forms of political consumption and 1.5 percent engaged in all the five forms of the behavior.

Thus with 45 percent of respondents not engaged in any of the five political consumption behaviors and the rest (55 percent) engaged in at least one of them, the political consumption variable is skewed. In order to identify the factors that are associated with engagement in at least one form of political con-

Table 2. Count of occurrences of political consumption

Count Occurrence of Political Consumption	Frequency	%
0	439	45.0
1	248	25.4
2	151	15.5
3	87	8.9
4	37	3.8
5	14	1.5
Total	960	100

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sumption, the distribution was transformed, with those who have not engaged in any behavior coded (0) and those who have engaged in at least one form of the behavior coded (1). This will allow binary logistic regression analyses.

MEASUREMENT OF INDEPENDENT VARIABLES

Based on the diverse literature, it is anticipated that consumers' knowledge (being informed) and concern about food safety, organic and local product labels, animal treatment, and environmental issues may influence their engagement in political consumption and conventional political action. Other predictors of political behavior identified are: political efficacy, political ideology, post-materialist value orientations, education, income, age and rural/urban residence. The technique for measuring these various independent variables is described below.

Knowledge About Food, Agricultural and Environmental Issues and Food Production

Consumers who are informed about pertinent public issues in society may be motivated to engage in political action. For example, political consumers use their knowledge about issues such as food safety and environmental degradation to demand change (Dixon, 2003). It is in that context that Weber (1978) in Goodman and DuPuis (2002) refer to the enlightenment notion of politics where individuals act by virtue of empowerment through knowledge. The notion is that knowledge about pertinent public issues may be important in motivating consumers to engage in political behavior in order to change the state of affairs from "what is" to a desirable one. To measure how knowledgeable respondents were about how food is grown, they were asked to respond to the following question, "How knowledgeable are you about how your food is grown"? Response options ranged from not at all knowledgeable (1), somewhat knowledgeable (4) to very knowledgeable (7). The average (4.57) shows that survey respondents can be considered somewhat knowledgeable about how food is grown.

Food Safety Concerns

Food safety concerns are legitimate responses of consumers to the threats and insecurities that the food system is exposed in a "risk society." Consequently, individuals counter the risks (contamination, health hazards, etc.) and uncertainties associated with the food system through political consumption. In that regard, Morbak et al. (2011) showed that Danish consumers were willing to pay a premium for food safety when introduced to products having additional food safety characteristics. It is anticipated that consumers having high food safety concerns will be more likely to engage in political consumption. Respondents were also asked to indicate their concern regarding food safety issues, with response options ranging from not concerned (1) to very concerned (7). The average response was 5.95—meaning that many respondents were very concerned about food safety issues.

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Important Characteristics for Purchasing Food

The use of labels which indicate that food products are organic and locally grown may satisfy consumers that the product is at least beneficial to small farmers, the environment and farming communities (Torjusten et al., 2001; Hinrichs, 2000). Consumers who place a high importance on acquiring locally grown products will be more likely to engage in political consumption. Similarly, consumers who place a high importance on organic products will be more likely to engage in political consumption due to their awareness of the relevance of moral considerations in food consumption (Giovanni, Peluso, & Guido, 2012). Consumer concern about food, agricultural and environmental issues might influence purchasing decisions. In order to investigate this, respondents were asked to rate on a scale of 1 to 7, with 1 coded as not important and 7 coded as very important, the importance of organic and locally labeled products in their purchasing decisions. Locally grown (mean 4.42) and organic (mean 3.05) labels are somewhat important influences on consumer purchasing decisions.

Animal Treatment

Following Kendal, Lobao, and Sharp (2006) and also based on the results of maximum likelihood factor analysis, a three item summated scale (Alpha reliability=.76) was created from a series of questions related to animal treatment. Respondents were asked to indicate their level of agreement with the following statements: humans have little respect for the quality of life of animals; animal agriculture raises serious ethical questions about treatment of animals; increased regulation of the treatment of animals is needed. The response categories were: strongly agree (coded 1), agree undecided, disagree and strongly disagree (coded 5). Cases were coded so that higher values reflect greater concern with animal well-being. The scale ranged from 3 to 15.

Environmental Concern/New Ecological Paradigm (NEP)

Berlin (2011) aptly noted that dissatisfaction with governmental performance on issues of environment, human rights and attempts to eradicate poverty mobilize people to practice political consumption. Similarly, individualized collective action as a form of responsibility taking to work against environmental also constitutes political consumption (Micheletti & McFarland, 2009). It is therefore anticipated that people with strong ecological concerns will be more likely to engage in political consumption. Dunlap's New Ecological Paradigm (NEP) set of items is a widely used measure of pro-environmental orientation (Dunlap et al., 2000). In that regard, a ten item summated scale (Alpha reliability=.73) was created from Dunlap's NEP set of items. Respondents were asked to indicate their level of agreement with the following statements: the so-called "ecological crisis" facing humankind has been greatly exaggerated; human ingenuity will ensure that we do NOT make the earth unlivable; the earth has plenty of natural resources if we just learn how to develop them; humans are meant to rule over the rest of nature; the balance of nature is strong enough to cope with the impact of modern industrial nations; we are approaching the limit of the number of people the earth can support; when humans interfere with nature, it often produces disastrous consequences; plants and animals have as much right as humans to exist; despite our special abilities, humans are still subject to the laws of nature just like any other species; and if things continue on their present course, we will soon experience a major ecological disaster. The response categories were: strongly agree (coded 1), mildly agree, unsure, mildly disagree and strongly

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disagree (coded 5). In view of the fact that some questions were positively and others negatively phrased, reverse coding was done as necessary so that higher values reflected greater ecological concerns. The final scale ranges from 10 to 50.

Materialist and Post-Materialist Value Orientations

Inglehart (1981; 1997) argues that individuals with post-materialist value orientations are more likely to engage in political action compared with their materialist counterparts. Four sets of questions were used to measure materialist and post-materialist value orientations. Respondents were asked: of the following goals, which are the two most important to you? Protecting freedom of speech; maintaining order in the nation; giving people more say in important political decisions; maintain a high rate of economic growth. The response options to the above four questions were Yes/No (Yes=1 and No=0). Individuals who chose options 1 & 3 are classified as post-materialists and those who opted for 2 & 4 are materialists (Inglehart, 1997; 1981). There are no "labels" for the other possible combinations. Various combinations of goals 1, 2, 3 & 4 were obtained by extracting the response combinations that respondents mentioned each of the two goals as important to them. Protecting freedom of speech was favored by 55.4% of respondents compared with 40.4% who favored maintaining high rate of economic growth. About nineteen and 16 percent of the survey respondents had post-materialist and post-materialist value orientations respectively. This means 65% of survey respondents had different worldviews which did not fit Inglehart's materialist and post-materialist framework.

Political Ideology

Liberals may be more likely to engage in political consumption compared with their conservative counterparts. This is due to the fact that liberals are social change oriented, and ready to engage in any form of unconventional political action (Inglehart, 1997). Respondents were asked to describe their political views on a scale of 1 to 7 (1=extremely liberal and 7=extremely conservative). The sample average (4.33) tended toward "middle of the road."

Political Efficacy

Peterson (1990, p. 20) defines political efficacy as the belief by a person that he or she is capable of affecting politics, known as internal efficacy. It represents an individual's beliefs about the impact he or she may have on the political process due to his or her skills and confidence. Internal efficacy is linked to political interest or knowledge about public issues; and external efficacy is linked with trust in government institutions (Niemi, Craig, & Mattei, 1991).

Campbell, Gurin, and Warren (1954, p.187) define political efficacy "as the feeling that an individual political action does have, or can have an impact on the political process. It is the feeling that political and social change is possible and that the individual citizen can play a part in bringing about this change." Campbell and colleagues' conceptualization of political efficacy focuses on the dimension of internal efficacy, which is most appropriate to this research—the data set used for this research is limited to citizens' view about internal efficacy.

Political efficacy is investigated with respect to engagement in political consumption and conventional political action. Respondents were asked the following question: how much influence do you think

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someone like you can have over government decisions? The response categories were: a lot of influence (coded 1), some influence (coded 2), very little influence (coded 3), and no influence at all (coded 4). These responses were reverse coded so that higher values reflected greater influence over government decisions. About 3% of respondents think that they have a lot of influence over government decisions. Half (51.4%) of respondents think that they have very little influence over government decisions.

Gender and Education

Political consumption is a form of civic engagement that is disproportionately utilized by women. In that respect, women are inclined to engage in political consumption; and political consumption is also viewed as a woman-friendly way of participating in political life (Sandovici & Davis, 2010; Inglehart & Norris 2003; Stolle & Micheletti, 2003). Gender was treated as a dichotomous variable (female coded 1 and male coded zero). Out of a total of 967 responses, 50.5% were women and the rest were male.

Education is the prime factor in most analysis of political behavior because it fosters political engagement (Verba et al., 1995). Both conventional political behavior and political consumption have been found to be strongly determined by the level of education (Goul and Tobiasen in Michilletti et al. 2006; Verba et al., 1995; Peterson, 1990). For example, education may impart the knowledge that is necessary for the assessment of product labels or political events which may trigger boycotts, petition drives, etc. (Stolle & Micheletti, 2013). In effect, educated people are more likely to be informed and interested in political engagement. Higher level of education is likely to be associated with engagement in political action. Respondents were asked to indicate the highest level of education they have completed. The response categories were: some high school (coded 1), high school graduate/GED (coded 2), some college/associate degree (coded 3), bachelor's degree (coded 4), some post-graduate work (coded 5) and graduate or professional degree (coded 6). The survey sample in general can be considered as well-educated. About 32% of the survey respondents had some college/associate degree and 12% had graduate or professional degree.

Income and Age

Individuals with greater incomes are anticipated to engage in political action. This is due to the fact that those with greater incomes tend to have resources such as time, money and civic skills (Verba et al., 1995; Stolle et al., 2005). Survey respondents were asked to indicate their approximate gross household income from all sources, before taxes, for 2006. The response categories include: less than $10,000 (coded 1), $10,000-19,000 (coded 2), $20,000-29,000 (coded 3), $30,000-39,000 (coded 4), $40,000-49,000 (coded 5), $50,000-59,000 (coded 6), $60,000-74,999 (coded 7), $75,000-99,999 (coded 8), $100,000-149,000 (coded 9) and $150,000 or more (coded 10).

Young people find lifestyle politics to be an option for more individualized and reflexive engagements in politics and citizen practice (Ward, 2008; Sandovici & Davis, 2010). Younger people are anticipated to be more engaged in political consumption while conventional political behavior may be favored by older people. The minimum age and maximum ages were 18 and 98 respectively. The average age was 52.

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Rural and Urban Residence

Rural residents also have a higher awareness and concern about food system issues than their urban counterparts coupled with a higher likelihood of purchasing local foods than their urban counterparts (Weatherell, Tregear, & Allinson, 2003). Irrespective of place of residence, the behavior of purchasing local foods may be carried out with intentions of preserving the local economy, small scale producers, and the environment (Hinrichs, 2000). In that regard, consumers in both rural and urban areas are identifying themselves as being socially and environmentally conscious through political consumption (Raynolds, 2002). It is therefore anticipated that both rural and urban residents will engage in political consumption.

Respondents were asked to indicate the kind of place in which they currently live. The response categories were: city=1, suburb=2, small town=3, countryside (but not on a farm=4, farm (with livestock) =5 and farm (no livestock) =6. The first three response categories were combined to represent urban place of residence and the last three represent rural residence. The rural residents are then coded (1) and the urban ones coded (0) as reference category for binary logistic regression analyses.

RESULTS

Cross Tabulations Between Conventional Political Behavior and Political Consumption

Table 3 is a cross tabulation of count occurrences of conventional political behavior and political consumption. It shows that 263 (27%) respondents did not engage in conventional political behavior and political consumption. One hundred and seventy nine (18%) people engaged in political consumption behavior but not conventional political action. Similarly, 175 (18%) engaged in conventional political action only. A good number of respondents were engaged in both types of political activity. These are

Table 3. Cross tabulations of count occurrences of conventional political behavior and political consumption

		Conventional political behavior					
		0	1	2	3	4	Total
Political consumption							
	0	263	65	53	36	21	438
	1	89	**46**	53	40	20	248
	2	55	24	**24**	27	21	151
	3	21	12	19	**25**	11	88
	4	9	2	8	10	**8**	37
	5	5	1	3	3	2	15
	Total	442	150	160	141	83	976

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represented in bold fonts (i.e. 46, 24, 25 and 8) across the diagonal in Table 3. It means that a total of 103 (11%) people were engaged in both types of political activity. A good number of people are engaged in one or more types of conventional political action but few are engaged in the corresponding political consumption behaviors. For example, 53 people are engaged in two forms of conventional political action and one type of political consumption; 40 people are engaged in three forms of conventional political action and one type of political consumption. The general pattern is that less people engage in many types of political consumption compared with the conventional political types of action. In Table 3, the areas shown in rectangular boxes represent people who have engaged in at least one form of each type of behavior in combination with the other type. A total of 359 (37%) people have engaged in at least one type of each behavior in combination with the other.

Multivariate Analyses

In order to examine how the characteristics of individuals who engage in conventional political behavior differ from those who engage in political consumption and how political consumption supplements engagement in conventional political participation in promoting social change, binary logistic regression models were performed. The results assessing relationships between conventional political behavior, political consumption repertoires and the independent variables are presented with respect to two models. Model 1 (Table 4) assesses the relationship between engagement in at least one form of

Table 4. Model 1: Logistic Regression for Engagement in at Least One Form of Conventional Political Behavior

Independent Variable	B (S.E.)	Odds Ratio
Knowledge of food production	.101(.050)	1.107*
Food safety concern	-.085(.057)	.919
Important food attributes		
Labeled organic	-.007(.046)	.993
Labeled grown locally	-.049(.046)	.952
Animal treatment	.061(.035)	1.063
New ecological paradigm	.012(.014)	1.012
Post-materialist orientation	-.117(.184)	.890
Liberal political ideology	.017(.060)	1.017
Political efficacy	.338(.097)	1.402**
Income	.115(.032)	1.122***
Education	.264(.059)	1.302***
Gender		
Female	.006(.148)	1.006
Age	-.020(.005)	.980***
Rural residence	-.105(.158)	.900
Constant	-1.702(.769)	.182*
-2Log-likelihood	1192.483	
N	976	

Note Omitted categories: male=0, urban residence=0
Significance for coefficients: *p<.05; **p<.01; p<.001
Hosmer & Lemeshow Goodness-of-Fit Test: 0.681

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conventional political behavior and independent variables (background characteristics and attitudinal correlates). Model 2 (Table 5) assesses engagement in at least one form of political consumption and the independent variables (see Tables 1 & 2 on count occurrences of conventional political behavior and political consumption; and the corresponding transformations into dichotomous variables for purposes of binary logistic regression).

Based on the Hosmer & Lemeshow Goodness of Fit Test for binary logistic regression, Models 1&2 (Tables 4&5) below are well-fitting. Models that are well-fitting show non-significance ($p>.05$) on the Hosmer & Lemeshow Goodness-of-Fit Test, indicating model prediction is not significantly different from observed values (Hosmer & Lemeshow, 2000; Menard, 2002; Norusis, 2008). Tables 4 & 5 summarize the results of the factors associated with engagement in at least one form of conventional political participation and political consumption. It is worthy of note that engagement in at least one form of political consumption is influenced by engagement in at least one form of conventional political action. Engagement in at least one form of conventional political participation and political consumption are all shaped by knowledge of food production, age (being young) and political efficacy. Pro-environmental concerns, political ideology and the importance of organic labels in purchasing decisions are positively associated with engagement in at least one form of political consumption. Income is only positively associated with engagement in at least one form of conventional political participation.

Table 5. Model 2: Logistic Regression for Engagement in at Least One Form of Political Consumption

Independent Variable	B (S.E.)	Odds Ratio
Knowledge of food production	.157(.052)	1.170**
Food safety concern	.044(.059)	1.045
Important food attributes		
Labeled organic	.150(.048)	1.162**
Labeled grown locally	.151(.048)	1.163**
Animal treatment	-.004(.037)	.996
New ecological paradigm	.034(.015)	1.035*
Post-materialist orientation	.243(.194)	1.275
Liberal political ideology	-.156(.063)	.856*
Political efficacy	.256(.101)	1.291*
Conventional political behavior	1.117(.154)	3.056***
Income	-.016(.034)	.984
Education	.036(.060)	1.037
Gender		
Female	.146(.152)	1.158
Age	-.015(.005)	.985**
Rural residence	-.035(.163)	.965
Constant	-2.746(.801)	.064**
-2Log-likelihood	1133.585	
N	976	

Note Omitted categories: male=0, urban residence=0
Significance for coefficients: *p<.05; **p<.01; p<.001
Hosmer & Lemeshow Goodness-of-Fit Test: 0.343

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DISCUSSION

Given the fact that 263(27%) of respondents did not engage in conventional political behavior and political consumption; 179 were engaged in political consumption only; 175 were engaged in conventional political action only; and the rest (37%) have engaged in at least one type of each behavior in combination with the other, it implies that in general, a good number of people still engage conventional political action in addition to political consumption (see Table 3). This provides "compelling" evidence that a good number of people are engaged in both types of political activity. In that context, those who engage in conventional political action are more likely to be the same people who engage in political consumption. It is possible that people engage in political consumption in addition to conventional political action when they realize the ineffectiveness of the latter (conventional action). In that regard, conventional political action may be an antecedent of political consumption. This provides some support for Stromsnes (2009, p. 303) view that rather than being a "new" or post-conventional kind of political participation, political consumerism should be seen as an extension to the conventional, or "old" participation repertoire.

Based on the multivariate analysis, engagement in conventional political action emerges as a strong factor that shapes participation in political consumption. This further supports the consistent pattern where those who engage in conventional political action also participate in political consumption. This suggests that engagement in conventional political action and political consumption are not mutually exclusive behaviors. This relationship between engagement in political consumption and conventional political action is in line with some of the available literature on political action. Consistent with Togeby's (1993) supplement theory, those who are active in conventional political action also engage in political consumption. In that context, citizens (political consumers) are not alienated from conventional political actions; they continue to engage in conventional forms of participation although they are aware of their limitations (Stolle, Hooghe, & Micheletti, 2005, p. 263). In addition to that, Peterson (1990); Barnes and Kaase (1979) report that conventional and unconventional forms of political participation are combined by politically active citizens. As Stromsnes (2009, p. 312) puts it, political consumerism represents a broadening of the conventional or "old" participation repertoire. Consistent with the political efficacy perspective, citizens may engage in both types of political action if they believe that their actions will influence public affairs. Thus it can be argued that an individual's likelihood of engagement in political consumption is influenced by his or her conventional political behavior. It is also likely that people engage in political consumption in addition to conventional political action when they realize the limitations of the latter (conventional political action) in addressing certain public issues such as food safety and environmental degradation. This strengthens the earlier argument that conventional political action may be an antecedent of political consumption.

The fact that knowledge about food production is positively associated with engagement in both conventional political behavior and political consumption suggests that when people are made aware of affairs in their societies coupled with the realization of the difference they can make through their decisions, they are motivated to act. In this context, having the knowledge about food production promoted individual responsibility to engage in political actions for desirable change. Political behaviors with change motives in relation to food products and services have been credited to enlightened consumers (Klintman & Bostrom, 2006; Micheletti et al., 2006; Dixon, 2003). Those who have knowledge about food production are more enlightened about their capacity to act, and use "agency" to influence change.

The association of political efficacy with conventional political action and political consumption implies that citizens who engage in these behaviors believe that they can have some influence over gov-

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ernment decisions. Multivariate analysis suggest that those who engage in conventional political action are more likely to have a relatively stronger feeling of being able to have influence over government decisions compared with political consumers. This raises the question of whether political consumers are distrusting of political institutions as suggested by scholars such as Norris (1999; 2002); Stolle and Micheletti (2013). For Norris (1999), political consumers are critical of conventional political institutions but are not alienated from conventional political institutions and still have a feeling of political efficacy. At this point, one can only speculate that the relatively lower level of political efficacy shown by political consumers may be due to their critical attitude and lack of trust in conventional political institutions. It is possible that the relative difference in perception regarding having influence over government decisions by those who engage in conventional political action and political consumers may be a motivation for engagement in political consumption.

The importance of organic labels in purchasing decisions emerged as a factor that differentiates engagement in political consumption from conventional political behavior. Consumers who place a greater importance for foods labeled organic are more likely to engage in political consumption. In the United States, consumer demand for organic foods has been growing. This is an indication of continued consumer interest in how food is produced. Consumers are becoming increasingly aware and concerned about practices that may pose health hazards, damage the ecosystem, etc. It is in that respect that the use of organic labels in purchasing decisions becomes important. Purchasing labeled organic food is one way for consumers to get information about the non-observable aspects of food such as no use of genetically modified organisms, no use of pesticides, and sustainable environmental practices (Torjusen et al., 2001). The positive association of engagement in political consumption with the importance of organic labels in purchasing decisions demonstrates that people may engage in political consumption behaviors to express their lifestyles and ethical values. According to Giddens (1991), consumers who consciously engage in political consumption practices are engaging in life politics. These reflexive (political) decisions not only shape identities, but also increasingly have political implications because they challenge the existing interrelationship between society, nature and individual responsibility (p.81).

The importance of locally grown labels in purchasing decisions also emerges as a factor that differentiates engagement political consumption from the conventional form of political behavior. Consumers who have greater importance for locally grown food are more likely to engage in political consumption. This finding may be explained in terms of the growing trend of increasing consumer interest in local foods. As a result of the high awareness and concern among consumers about conventional industrial food production systems and their impact on the environment, small scale producers, etc. an increasing number of them (consumers) are choosing to purchase locally grown foods (Hinrichs, 2000). Other scholars argue that the reasons for the growing consumer interest in local foods is due to the widely publicized food safety incidents, growing mistrust in mass production, ethical and environmental concerns regarding how food is produced and transported (Ilbery & Maye, 2006). The positive association of engagement in political consumption with the importance of locally grown labels in purchasing decisions demonstrates that people may engage in political consumption behaviors to express their lifestyles and ethical values. Further, it is a manifestation of how citizens can make a difference to food system problems through their purchasing decisions.

A number of studies link ecological concerns with political consumption behaviors (Gulbrandsen, 2006; Dhavan et al., 2007). The association of political consumption with strong ecological concerns can be explained in terms of the reflexive construction of identity. This is based on the acknowledgment of the fact that consumptive behaviors such as political consumption serve a dual purpose of fulfilling

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material needs and also signaling identity (Pederson, 2000). These reflexive (political) decisions do not only shape identities, but they also challenge the existing relationship between society, nature, and individual responsibility.

Liberal political ideology also emerges as a factor that differentiates engagement in political consumption from the conventional form. This is theoretically sound due to the fact that individuals with liberal political ideologies share similar values with post-materialists such as, propensity for social change, readiness to engage in protest and boycotts (Waal, Achterberg, & Houtman, 2007; Inglehart, 1997). This finding is a manifestation of the changing nature of political engagement, where individuals who are dissatisfied with public affairs and are passionate for change, get motivated to take the necessary action.

Age also emerges as a common factor associated with engagement in both conventional political behavior and political consumption. Being young is positively associated with engagement in conventional political behavior and political consumption. It was anticipated that young people will be more likely to engage in political consumption due to Inglehart's intergenerational value change thesis, where younger generations tend to have post-materialist value orientations and engage in political consumption.

CONCLUSION

The findings of this research show the uniqueness of engagement in political consumption in setting the agenda for policy change regarding practices in the provisioning of food. Consumers' knowledge and concerns about food safety, environment, organic and local product labels, and animal treatment may influence engagement in political consumption. In that context, enlightened consumers are using their consumptive decisions to influence desirable changes reflective of their attitudes and values regarding the provisioning of food.

Engagement in conventional political behavior is consistently related to the likelihood of engagement in political consumption. This suggests that engagement in conventional political action and political consumption are not mutually exclusive behaviors. Thus political consumption is a supplement to conventional political participation in promoting social change.

As a result of consumer insight, consumer distrust is developed thanks to the understanding that traditional (conventional) forms of political participation are ineffective and unsuitable to deal with consumers' problems in post-industrialized societies. Similarly, as a consequence of being enlightened about food system issues, consumers seek alternative ways and policy options that will address their interests and concerns. This apparently motivates individual responsibility-taking to influence desirable change in public affairs. The risks and uncertainties of the US food system can be considered as motivations for enlightened individuals to take responsibility for social change. Thus political consumption is instrumental in addressing the perceived risks and uncertainties of the food system. In essence, engagement in political consumption is a mechanism being used by informed consumers to express their needs and promote their interests, with the ultimate goal of inducing public policy changes. These findings suggest that consumers with some concerns about the organization and character of food production believe that they can create some changes via their consumptive decisions.

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Chapter 21
Universities' Contributions to Sustainable Development's Social Challenge:
A Case Study of a Social Innovation Practice

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ABSTRACT

There is an increasing recognition that dealing with sustainable development need to address the social structures that encourage unsustainable economic and environmental practices. Universities represent important sources of knowledge for addressing sustainable development, but there has been relatively limited consideration of their contributions to these social elements. Drawing on recent interest in social innovation as to conceptualise social change and community development, this paper aims to understand universities' involvement in the process of social innovation, for the particular case of a Brazilian higher education institution. By exploring how universities can contribute to the different stages of the social innovation process, it highlights the capacities that universities have to address the social sustainable development challenge. The paper identifies five characteristics of universities contributions to social innovation and sets out an agenda for future research necessary to understand universities' wider contributions to sustainable development.

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1. INTRODUCTION

One of the most urgent contemporary debates concerns the achievement of the sustainable development goals (Moore, 2015), covering economic growth, environmental protection and social progress. However, the social dimension is often overlooked in favour of the more urgent economic dimensions or the more visible environmental dimension. Understanding the social dimension is vital to achieving true sustainable development given an increasing sense of crisis in many areas of contemporary social development at the moment where after decades of progress, there are starting to be growing intractable problems around urban sustainability, climate change, food security, energy security and poverty/inequality (Cunha & Benneworth, 2013). The social dimension of sustainability concerns protecting society's vulnerable groups, respecting social diversity and ensuring social capital formation (Cunha & Benneworth, 2013; Rinkinen, Oikarinen & Melkas, 2016). Delivering sustainability's social dimension demands extensive innovation to reshape society in ways that deliver these protections and potentials (Schmidpeter, 2013). Socially innovative practices offer a response to the unfulfilled needs of communities to improve social relations and foster socio-political emancipation (Mehmood, 2016). This paper therefore considers this process of social innovation as a driver of sustainable development, here defined as innovation primarily driven by the intent of benefiting the society (Bhattacharya, 2013).

This paper seeks to consider the roles played by universities in driving these social innovations necessary to deliver sustain sustainable development, and specifically the gap that has arisen in contemporary understandings of university contributions to social innovation. To date the discussion has mainly focused on two kinds of university contribution (OECD, 2007), firstly universities as sources of technologies that can solve the particular environmental problems that become evident during unsustainable development practices, and secondly in universities' own practices as large institutions. This paper seeks to extend this discussion to where we identify a potential gap, proposing a third role that universities can play, namely in developing new kinds of social practices and organisations. These new social practices and organisations can potentially address the social exclusion problems that are increasingly evident in the challenges of sustainable development. But at the same time, we acknowledge that universities do not have specifically social innovation missions, and this can create barriers for universities in seeking to create these new social practices and organisations. To address this issue, the paper asks the specific research question of how can universities contribute to wider processes of social transformation that are necessary to deliver coherent and integrated sustainable development?

Any consideration of the roles of universities in social innovation need be mindful of the shortcomings of universities as drivers of institutional change. Benneworth (2013) concluded that university contributions to dealing with social exclusion is hindered by the wider institutional environments for higher education emphasising research excellence and teaching quality over place based contributions. Belyaeva & Kazakov (2014) claim that sustainability is not strongly integrated in majority business practices in firms in least developed (or emerging) countries, contrary to Europe countries (Crets & Celer, 2013), and similar claims might be expected for universities. However, in many of these countries, notably South America, universities are expected to make strong societal contributions (Tapia, 2008; Ramirez, 2011). This places practical expectations on universities to support and facilitate social innovation initiatives and therefore, contributing to social development. This in turn requires the effective integration of social innovation focus on their strategic planning and everyday practices, to drive forward social development and contribute to social sustainable development. We see for example that universities in various countries have begun creating learning environment that both allows "regular" students to

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acquire knowledge and skills needed in their particular subject area whilst also allowing students from disadvantaged social groups to acquire the knowledge and skills necessary to overcome their practical social exclusion (Russo & Muller, 2013).

The paper adopts the process model for universities' involvement in the process of social innovation proposed by Benneworth and Cunha (2015) and applies it to an example from a Brazilian university. The paper provides insights into the practicalities of how universities may contribute to different stages of social innovation processes and what precisely are the various universities' inputs that may become involved in social innovation process, and thereby contribute to wider processes of social change and development. The paper highlights the great potential that exists for universities to contribute to solving the Grand Challenges of the 21st century, particularly through collaboration between sectors and different stakeholders and focusing on social sustainability (Rinkinen et al., 2016). At the same time, universities operate within wider political-economic contexts, and the capacities that universities have to realise this potential are constrained by these wider contextual factors.

2. SOCIAL INNOVATION CONTRIBUTING TO SUSTAINABLE DEVELOPMENT

The most common definition of sustainable development is provided in the Brundtland Report: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987). Definitions of sustainable development have focused on three main dimensions (Hopwood et al., 2005): economic, environmental and social. As the World Bank's (2003) report states "Improving human well-being over time is a broader goal than increasing economic growth … social and environmental assets also affect human well-being directly" and achieving a balanced long-term development includes the three dimensions. Until recently, sustainable development was perceived as essentially integrating environmental concerns into economic decision-making (Lehtonen, 2004). Yet, sustainable progress implies parallel improvement in three dimensions, economic, environmental and social (Rinkinen et al., 2016): if any one dimension is weak then the system as a whole is unsustainable (Millard, Weerakkody, Missi, Kapoor, & Fernando, 2016). This challenge has been reflected in the broadening of the Sustainable Development Goals (SDG) (2015-30) to include such primarily social activities (Moore, 2015) as (a) promoting peaceful and inclusive societies, (b) the participation and inclusion of people, (c) partnerships amongst all actors, (d) gender responsiveness, (e) improvements to risk and disaster management, (f) strong leadership across the public sector, and (g) rethinking the scope of basic public

Issues of sustainable development must also be understood in the context of growing concern for the so-called Grand Challenges of the 21st century. These are the problems which humanity must address in this century to survive into the next: these include climate change, uneven income distribution; high rates of unemployment; ageing of population; and mass urbanisation and social exclusion problems, among others (BEPA, 2010; Engelke, Mauksch, Darkow, & Gracht, 2015, Westley & Laban, 2011). According to Nicholls and Dees (2015), these problems are characterised by divergent analyses and diagnoses highlighting the failure of conventional solutions and established paradigms across private, public and societal sectors. They are quintessential problems of sustainable development solving those Grand Challenges demands new forms of social organisation facilitating human welfare whilst respecting the earth's ecological limits, creating collective action and co-ordination providing resilience against these new challenges (Damme, 2009; Urry, 2011).

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There is growing recognition of the need to go beyond simplistic considerations of national development in terms of per capita GDP (Oganisjana & Surikova, 2015) and instead consider 'prosperity' (Moore, 2015):

Prosperity is … about flourishing, the health of society, inclusive political institutions, a guarantee of human capital development and civil liberties … an educated and healthy citizenry who are actively involved in co-designing and co-producing their own futures within the limits of the sustainability of the planet's resources (p. 803).

Although technological innovations were important for economic growth historically, social innovation is increasingly recognized as the driver of future change towards sustainability (Moore, 2015) explicitly targeting socially excluded groups (Millard et al., 2016). Social innovation involves creating new social networks and capacities that evolve into new social structures and systems that therefore change existing social paradigms (Mieg & Töpfer, 2013; Garud & Karnoe, 2013; Cajaiba-Santana, 2014).

As Bruin emphasises (2016),

…building momentum for change, and unravelling how to strengthen elements to stimulate, sustain and grow social action, holds clues to transitioning to a socially sustainable future (p. 18).

This 'social innovation' is most resilient where embedded in a broader social change movement (Mehmood, 2016) enabling novel stakeholder collaborations and collective benefits (Ling & Dale, 2013; Dobele, Grinberga-Zalite, & Kelle, 2015). Social innovation, which emerges from the collective and is more likely to be a bottom-up process and driven by civil society, can foster the empowerment of actors, transforming social, cultural, economic, and power relations. Hence, promoting social innovations can represent an important way to deliver the social dimension of sustainable development, and hence to address the Grand Challenges of the 21st century.

3. SOCIAL INNOVATION: CONCEPTS AND PROCESSES

There has recently been increasing interest in social innovation in several academic disciplinary fields, most notably in innovation studies, territorial development, social economics, and public governance (Benneworth & Cunha, 2015; Evers & Ewert, 2015; Martins & Bermejo, 2015). Nicholls, Simon, and Gabriel (2015) noted that growing interest in social innovation at least partly reflects the failure of established systems (e.g. technology, markets, policy, governance) to deliver well-being and economic prosperity. The idea of social innovation has emerged as an attempt to capture and describe "bottom-up phenomena where new ideas, approaches, techniques and organisational forms grew from humble roots into substantive new social capacities" (Benneworth & Cunha, 2015, p. 510). As Nicholls and Dees (2015) state:

…social innovation has been recognized as a new wave of innovation that gives primacy to systems and processes of change in social relations… [and] may represent a step change compared with previous waves of innovation in that it often attempts to disrupt and reconfigure systems themselves rather than simply providing disruption within existing systems (p. 355).

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A broader review of definitions of social innovation is beyond the scope of this paper[1] and this paper adopts Benneworth and Cunha's (2015) definition:

A social innovation is a socially innovative practice that delivers socially just outcomes by developing novel solutions in border spanning learning communities thereby creating social value by promoting community development, hence forming wider collaborative networks, and challenging existing social institutions through this collaborative action (p. 512).

Social innovation involves creating new ideas manifested in social actions leading to social change and proposing new alternatives and new social practices for social groups (Cajaiba-Santana, 2014). Social innovation has an "immaterial structure" where new social practices (e.g. changes of attitudes, behaviour, or perceptions) become institutionalised through social engagement and cooperation among different social groups (Cajaiba-Santana, 2014). Social innovation cuts across all sectors of society – private, public and the third sector action (Nicholls & Dees, 2015), involving a "creative collaboration between public actors or market agents and civil society organisations contributing for the empowerment of citizens" (Garcia, Eizaguirre, & Pradel, 2015, p. 96).

Following Garud, Tuertscher, and Van de Ven (2013) it is possible to identify some patterns in the linkages, alignments and networks within social innovation processes, acknowledging contingencies and tensions inherent within social innovation (Rip & Schot, 2002).

Benneworth & Cunha stylise social innovation as a six-stage model. Firstly, idea generation involves inventing a solution to a previously-identified social problem (Voorberg, Bekkers, and Tummers, 2013). Secondly, implementation needs to be planned and immediate stakeholders need to be enrolled to support the promising and potentially risky new idea. The third stage is developing a demonstrator which helps convince stakeholders of the idea's validity (Rip & Schot, 2002; Evers & Ewert; 2014). If viability van be demonstrated then the expansion of the solution can begin, finding ways to upscale the innovative solution and deliver wider societal benefits (Phills, Deiglmeier, & Miller, 2008). The fifth stage is mobilising a support coalition for this upscaling, using networks to bring together institutions to assist with this (e.g. government departments, foundations, corporations, non-profit organisation or social capital investors). In the final stage (transforming and codifying) the social innovation becomes a product that can easily be implemented in many new settings, places or circumstances, allowing its upscaling. By stylising social innovation as a six-stage process, it is therefore possible to separate out the distinct roles of partners in each process stage, and therefore to consider the roles played by universities in these processes.

This model provides a means to explore this paper's analytical research question, concerning the roles of universities in stimulating social innovation in each of these stages. The paper therefore uses this six-stage model as a lens through which to view university contribution to social innovation via a case study approach.

4. RESEARCH METHODOLOGY

This paper adopts a case study research methodology to address its research question, because of its exploratory nature, seeking to understand existing dynamics across multiple analytic levels (from national higher education systems to socially excluded individuals). A case study approach seeks to understand the problem being investigated, providing the opportunity to ask in-depth questions and to capture the rich-

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ness of the object under analysis (Gable, 1994). Although the case study approach encompasses several distinct research methodologies, they are all hallmarked by using various kinds of data use, qualitative and quantitative, and collection methods, such as document analysis, interviews, questionnaires and direct observation (Eisenhardt, 1989; Yin, 2003).

This paper is rooted in a tradition of critical realist research, which believes that reality is potentially knowable, but that in practice it is only ever possible to produce an insightful observation of a fragment of that reality (Sayer, 2000; O'Neill & Whatm, 2000). The skill in good case study research comes in producing a 'fragment of reality' that reveals the underlying topology of a situation from which understandings can be inferred about the way that the sub-elements of that system interrelate in that individual context (Eisenhardt, 1989). A case study research approach fits well for situations addressing 'how' or 'why' questions about a contemporary set of events with little or no control over the object of analysis (Ferraris & Grieco, 2015). However, the conclusions drawn may be specific to that object of analysis and may not be generalizable (Gable, 1994).

In this paper, the study design includes a single, exploratory, in-depth case study adopting an interpretative approach (Yin, 2003), using a case study based on the Eisenhardt (1989) framework. The case study HEI is the *Instituto Federal de Santa Catarina* (IFSC), which hosts a very interesting project dealing with women in vulnerable situations (social risk) called *Mulheres Mil* (Thousand Women) Program (see section 5). This case study drew data two separate sources. Firstly, was the documents and archives of the Dean of Extension and External Relations of the IFSC, which contained information about the *Mulheres Mil* Program. Secondly, two researchers (co-authors of this paper) were general coordinators of the program in the IFSC, and participated actively during all process, from conception to evaluation of the activities of the program. Data collection occurred from visits to campuses offering the courses, class participation as listeners and as speakers, interviews with local coordinators, follow-up meetings and sharing practices among campuses, documentary analysis of reports and other materials related to the *Mulheres Mil* Program.

The case study explores how universities can contribute to foster social innovation and, thus, contributing to building systemic theory about social innovation (Herrera, 2015). The specific case study presented represents innovation in educational services, addressing users' needs by investing in capacity-building, avoiding stigmatisation, improving peoples' skills, and bridging the gap between professional services and peoples' lives (Evers & Ewert, 2015).

5. CASE STUDY

The paper presents a case study from *Instituto Federal de Santa Catarina* (IFSC) a Brazilian federal public higher education institution, headquartered in Florianópolis, Santa Catarina state, with administrative, cultural, financial, educational and pedagogical autonomy. The IFSC was established in 1909 and after several restructuring processes, most notably following 2008, expanded from 6 to 22 campuses in all regions of Santa Catarina, southern Brazil. IFSC specializes in offering vocational and technological with a simultaneous strong profile in research and extension activities. IFSC seeks to promote inclusion and to educate citizens through the professional, scientific and technological education, generating, disseminating and applying knowledge and innovation, contributing to the socio-economic and cultural development (IFSC, 2016).

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The social problem that IFSC sought to address concerned access to higher education for women with low education levels and social vulnerability simultaneously lacking income and professional skills. In recent years, Brazil has seen important improvements in education levels, falling illiteracy rates and increased school attendance (Ferraro & Kreidlow, 2009), a slow process marked by significant social, and particularly, regional differences. In urban areas, the average schooling of women is 7.4 years (total population) and 8.9 years (employed population). In rural Brazil, these averages are low and distance themselves considerably from urban areas: 4.5 and 4.7 years respectively (IBGE, 2014). The National Programme *Mulheres Mil* (Thousand Women) – Education, Citizenship and Sustainable Development provided (and at the time of writing continues to provide) educational, vocational and technological training, allowing to improve women's educational levels, empowerment and access to the labour market, by encouraging entrepreneurship, employability and forms of associative solidarity. The program sought to use education to promote women's empowerment, access to social rights and citizenship, aiming to achieve equality, emancipation and a sense of belonging (Brasil, 2011; UNESCO, 2013).

The training (or educational) offer within IFSC's *Mulheres Mil* Program was based upon identifying and accrediting women's prior non-formal experience (or education) and tailoring an education pathway from their past experiences towards their personal and professional ambitions. Selection came from recommendations via the municipal social service and healthcare network of the municipalities involved in this project (e.g. Department of Social Services, Department of Education, Department of Health, neighbourhood associations, mothers' clubs, parishes, forming a large network of cooperation, increasing the active search for women Participation required a minimal education level thereby allowing illiterate women to participate. Selection was based on a socioeconomic questionnaire, facilitating the grouping of participants according to their degree of social vulnerability. The programme involved vocational training courses of at least 160 hrs lasting around 5 months with classes twice a week. The students were continuously monitored throughout the programme from the intake and identified benefited community to their exit into the labour market.).

The methodology used in *Mulheres Mil* seeks to make the process of expressing value for the woman student as the primary concern. One of the specific issues for the program to violence against women in its various expressions, with coordinators reporting that violence remained a part of life for many students. Thus, reinforcing actions and initiatives on this topic in order to clarify their rights, safety nets, and institutional support are still needed in order to strengthening and empowering women. Increased schooling for many of those women may be the best alternative since there are several accounts of women interested in continuing studying with demands in computer skills, food, health and beauty, production and income. Also, the interest on the completion of basic education has been obtained in the research undertaken. Some testimonies of campuses' coordinators make this clear:

... The Mulheres Mil Program helps to improve the quality of life of many women, but also changes positively those who work with them: teachers, administrative staff and other employees, who make this program to have such importance!

... I say that this experience is humanizing our campus, since in the middle of technological courses, there is a course aimed at women in vulnerable conditions with their distinct peculiarities, in which all yearn for a better life.

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... Positives features were many: being part of the course coordination with a contact list of interested students; rely on people who know the local solidarity economy movement; meet the schedule of classes settled at the beginning of the course; find already established partnerships, such as with the CRAS; have a proactive scholarship; in short, are aspects that make a difference.

6. *MULHERES MIL* AS A SOCIAL INNOVATION

In Brazil proposals for public policies with a gender approach have been seen as a key instrument in the struggle to overcome inequality between women and men (Farah, 2004). This trend derives from recent processes of democratization and recognition of social rights and was also influenced by feminist activism struggling for a wider incorporation of gender perspectives on public policy. Some Brazilian women are more affected by exclusion than others (EC, 2014; Masika, Haan, & Baden, 2011), for example, black women and single mothers. Programs emphasising civil rights, the constitution of women as individuals, seek to expand of the space of citizenship, extending social rights to new population segments and ensuring these new segments have access to state social service support (Martinelli, 2012). *Mulheres Mil* was deliberately aligned with a set of Brazilian public policy priorities related to reducing social and economic inequality amongst marginalised populations, and the country's commitment with gender equality.

6.1. Idea Generation

The starting point for *Mulheres Mil* was pressure from the Brazilian government on its publicly-funded universities to create and structure the courses (or educational programs) to fulfil and achieve Brazilian policy goals regarding poverty reduction and social inclusion, ensuring that IFSC's senior managers were strongly supportive of the idea. The pilot project operationalized the programme via the Rectory, in response to a specific public call from the Ministry of Education. The idea underlying the *Mulheres Mil* programme did not originate in IFSC, but was originally created by NorQuest College in Canada as a fund-raising campaign to raise CA $1m to support single mothers in various ways (with child care, tuition support, part-time learning pathways) to help improve their social inclusion through education. ISFC used dialogue and collective interaction to identify the needs of each community in the state of Santa Catarina as the basis for tailoring the courses to community need.

The new courses involved non-traditional students: given that *Mulheres Mil* Program was a gender-related proposal with cross-cutting policies and issues, besides IFSC faculty and staff members, it was necessary to create a basic support network with other specialised professionals, such as social and health workers, and legal/ law experts in each municipality where those courses were offered. The main problems related to operationalising a network across IFSC that also simultaneously considered the specificity of each place or region in the active campuses. One key issue was teachers' potential lack of interest in working with these new non-traditional students, and on the basis of an analysing the availability and preliminary consent of local professionals who could be involved in the venture was sought.

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6.2. Mobilising a Solution

A pilot course was initially held in a single IFSC campus, and led to an extension to across three other IFSC campuses. The university's resources involved were primarily classrooms, staff and faculty members, materials, laboratories and inputs necessary for pedagogical activities. Some campuses organised classes in prisons or voluntary associations, with IFSC offered the faculty and staff members, educational material and financial aid for students (for transportation and food). In each participating campus, hourly charges were allocated to the multidisciplinary team working in the program. For state management, and course tracking, monitoring and evaluation an institutional coordinator for the *Mulheres Mil* Program was created, within the Deanery of Extension and External Relations, at the IFSC Rectory. The dominant arguments persuading stakeholders to participate were the program's potential to promote social inclusion and develop sense of community, alongside the welfare gains in participants' lives. Successful program implementation required persuading other stakeholders of the feasibility of the proposed solutions. For that purpose, IFSC organised several awareness meetings on the various campuses with potential program partners to demonstrate to stakeholders' potential demand for the new courses as well as the IFSC's ability to meet that demand. ISFC also undertook technical visits to other interested groups related to the scope of the project, and created products derived from the activities carried out by students/ trainees from the pilot phase including crafts, cookbooks, and dishes of regional and local cuisine.

Persuading partners of the potential viability of the solution was greatly facilitated by the backing for *Mulheres Mil* by the Brazilian Federal Government and a university, namely IFSC. Finding internal and external supporters in the state of Santa Catarina was also facilitated because of the existence of the pilot programme and the initial implementation structure. Meetings with potential partners took place and a growing number confirmed their wider interest in the pilot. However, it was at this stage that the first real resistance occurred within IFSC, related to the interest of teachers already working in courses with objectives and profiles very different to those of *Mulheres Mil*. Affinity with social issues, preferably gender, was crucial for encouraging staff to engage with the programme. However, IFSC's historical faculty profile was primary in the kinds of professional, technical and vocational education far removed from the relevant aspects demanded by *Mulheres Mil*. The bureaucracy associated with establishing partnerships was a major problem when trying to finalise and launch the demonstrator (pilot project), and in some cases these delays led to the withdrawal of some partners thereby hampering the pilot's development.

6.3. Successful Demonstrator

In creating the demonstrator, the approach was taken and adapted according to the context of each campus and consistent with local community interests and business needs, also taking into account staff and faculty members and university infrastructure availability. For specific issues, partnerships with the Department of Social Services and Health Centres were established. The IFSC progressed internally in three campuses (providing about three hundred vacancies) which provided a more favourable context for developing the *Mulheres Mil* Program courses. The program contained a methodological guide which was used as a reference for the implementation of activities. Senior IFSC managers regarded the proposal bringing direct benefits to the target audience as well as indirect institutional visibility. The initiative

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drew significant media attention, positively contributing to dissemination as well as strengthening IFSC's image. The program coordinators' highlighted the way the program empowered vulnerable students, who had themselves showed the motivation to change their lives. External partners were strongly supportive of the course as an effective means of addressing a target audience hitherto overlooked by HEIs. External partners were important providers of resources to support the program, including space for classes when space was lacking on the campuses, transportation for students, professionals to assist in training, among others. Finally, students showed great enthusiasm and appreciation for the welcoming environment provided and the value held for each student's personal history, a factor greatly favouring a return to study.

Conversely, the program coordinators reported difficulties related to lack of interest from other campuses teachers in contributing to the program, and for those teachers that did participate, the need to adapt teaching strategies to deal with these non-traditional students. A number of teachers were initially reluctant to participate in the programme because they were more keen on contributing to the formation of high-income professionals and high-level research. Hence, those teachers had lack of enthusiasm in working with a female, uneducated and low-income audience, although that did evolve for those involved as they became aware of the students' individual learning progressions and the benefits for the individuals, IFSC and indeed for their own professional development Some external stakeholder resistance also emerged around their willingness to support the idea and work with the university, partly because of the novelty of the *Mulheres Mil* Program, but also because of a lack of clarity of each actor in the process. The other main problem was the lack of financial resources to fund courses' activities, including covering consumables and other inputs, sufficient teacher numbers and the lack of a financial contribution to the professionals involved. However, the arguments favouring the implementation of the new solution outweighed the opposing ones, particularly institutional gains: external visibility of the institution, increased number of students, and diversification of courses offered.

6.4. Expansion of Solution

After the initial pilot project was perceived as a successful demonstrator, IFSC managers decided to expand the *Mulheres Mil* program due to increased community demand and positive effects of this Program's media recognition. The decision to expand the Program to all IFSC campuses was also influenced by the Ministry of Education's policy goal to encourage its expansion and dissemination within HE. The number of participating campuses initially doubled from three to six, then rising to 11 the following year (with 1100 student places), finally expanding to almost all campuses and serving 3,000 students. However, after the various campuses initially agreed to join, one subsequently then abandoned the plan (in the face of faculty and administrator antipathy).

Some difficulties and problems arose in this stage, most importantly the need to enlarge the program management structure and stakeholder coordination. Several approaches were implemented to address these problems. Firstly, available resources were increased, including increasing the number of local program coordinators at each campus, scholarships for students, teaching materials, and allocation of new teachers to the Program. Secondly, procedures to formalize partnerships with stakeholder networks were streamlined. Finally, regular meetings were held to share experiences and collaborative monitoring among participating campuses and promote program expansion to other campuses.

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6.5. Support Coalition

As IFSC expanded its *Mulheres Mil* Program, it made extensive use of the main partner since the pilot programme, CRAS – the Social Assistance Reference Centre, a municipal government agency. Across all participating campuses CRAS was the main mediator of relations between partners, particularly linking up the target group of less socially favoured groups to the IFSC and other partners (e.g. social movements, NGOs, businesses, volunteers) to identify and adopt forms of joint action in expanding the program. CRAS used its existing database of social needs and partners, to help IFSC develop linkages to a number of other associated organizations who joined this wider support network for *Mulheres Mil*. An issue in the growth of the support coalition was the emergence of real demand for the student places being offered, both from the Ministry of Education, who provided additional financial support for additional places, as well as the communities who appreciated the course benefits. This demand pressure outstripped the willingness of IFSC teachers to participate in these courses rather than their mainstream disciplinary courses (such as engineering, management or computer science).

From the moment the Program progressed from a pilot project to a more permanent activity, IFSC realised that additional technical and administrative staff and teachers were urgently required to implement classes, workshops, fairs, as well as processing scholarship payments. Brazil's Ministry of Education of Brazil, an important supporter and funder of IFSC's programme from its inception, supported this expansion. Extending the program across all IFSC campuses implied increasing costs since the number of students increased with each student receiving, via student assistance, financial help (an average value of 100 *reais,c.* €30). With increasing numbers of campuses involved in the Program, each local coordinator received a financial incentive (an average value of 600 *reais*) to compensate for management tasks. Additionally, there was an extension of scholarships (average value of 400 *reais*) for student assistants (from other courses) to assist the coordinator.

6.6. Transforming / Codifying

The final stage in the creation of the social innovation was in developing a model that could be relatively straightforwardly replicated in other contexts. *Mulheres Mil's* had developed an underpinning legal instrument and the program's methodological guide, containing the necessary guidelines and requirements for implementing the program. Detailed information regarding the activities, timetable and the initial structure content of the courses were made available to allow each campus to prepare its work plan and to fit its course's pedagogical project to the regional and local socio-economic context. The legal instrument also provided for orientation and preparation meetings to help campuses joining the Program. Meetings were organised with the new campuses to share the difficulties and best practices to help new participants in the planning and execution of courses. One of the developments within the legal instruments was also a "Solidarity economy fairs" seeking to foster entrepreneurship, civil society associations and networking. The fairs provided students with the opportunity to sell products they made from knowledge acquired in the courses and to exchange knowledge with students from other cities/ campuses, broadening students' contact networks as well as attracting other social economy organisations (e.g. social incubators).

However, this upscaling generated novel problems and resistance were felt, particularly around the practicalities of introducing a new kind of student (and a new kind of student finance) to existing campuses

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and student communities. Introducing these new groups raised practical challenges for aligning municipal transportation schedules with classes, in ensuring students could afford to attend the social economy fair, and finding space on campus for the new activities. These problems were not insurmountable but did demand considerable efforts from the new campus staff with the support of external collaborators.

7. ANALYSIS

In this paper we have asked the research question of how can universities contribute to supporting the social elements of sustainable development by promoting social innovation activities. Our case study has analysed an example of *Mulheres Mil* as a social innovation driven forward by a single university, IFSC, who can be seen as a social innovation actor and facilitator supporting new social innovation practices through the use of education, although not at the traditional undergraduate level, highlighting the importance of capital formation and social development to driving sustainable development. The case study suggests that socially innovative university projects may contribute to community social sustainability maintaining social cohesion by increasing social capital and providing resources for empowerment of disenfranchised citizens (Garcia et al., 2015) therefore contributing to overcome social exclusion and promoting more sustainable forms of development at the community level (Baker & Mehmood, 2015). This is particularly relevant in education directed to individuals feeling the daily pressures of poverty since most results correspond to intangible benefits whose impact is only felt in the long-run (Nicholls & Dees, 2015). The analysis also suggests how universities support social innovation, providing skilled workers, creating new knowledge, and through involvement in regional social and cultural activities (Cunha, Benneworth, & Oliveira, 2015) thus increasing social capital and contributing for social development and societal change.

Expanding the innovation – even to the level of the university as a whole – required developing skills, competences, attitudes, and abilities needed to foster social innovation in order to deliver the *Mulheres Mil* project. In order to derive more general lessons from the case study, we have summarised the *Mulheres Mil* example at the different stages of the social innovation process in Table 1. On that basis, several refinements can be made to Benneworth and Cunha's (2015) social innovation process model, regarding (a) universities' multiple roles, (b) the necessity of complex networks and partnerships, (c) deep commitment between these partners, (d) the non-linearity of the process, and (e) the value of involving beneficiaries in the social innovation. The first of these is that the university played a range of different roles throughout the different stages of the social innovation process. In some cases IFSC took the lead (mobilising the solution), in others behaved more reactively (reacting to pressure from the Ministry of Education) and elsewhere facilitating the involvement of other useful partners.

Secondly, successful social innovation processes require the involvement of a complex network of formal and/or informal partnerships between various stakeholders (as found by Sharra & Nyssens, 2010). In this particular case study, IFSC was strongly involved with local authorities, local social and health services providers, and civil society organizations. Indeed, Huggins and Williams (2011) argue these kinds of networks could potentially be regarded as "ecosystems", due to their systemic, complex and evolving nature. The process was greatly assisted by the fact that all partners were collectively committed to the social inclusion goals and without that support (particularly from the national Ministry) it is not clear that the university would have succeeded in delivering the innovation.

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Table 1. A summary of the Mulheres Mil project as an example of an upscaling social innovation with university involvement

Stage	Activity	University involvement	Problems encountered	Partners/ supporters enlisted	University roles
Idea Generation	Taking a model developed elsewhere and interpreting it in Brazilian context	Identifying SI Fitting it to existing IFSC activities Developing a plan	Internal skepticism of attractiveness of new student group to established teachers	NorQuest University Ministry of Education	Reactive animateur in proposing the pilot in response to Ministry headline policies
Mobilising a solution	Piloting the MM course within a single campus	Recruiting students Providing courses Creating new systems to handle students	Developing a suitable bureaucracy to run the courses regularly	Ministry of Education	Sole agent – creating an institutional environment within which the activity succeeded
Successful demonstrator	Expanding the one-off pilot into a wider pilot on three campuses	Implementing the model from the first campus into two new settings	Sustaining relationships with partners between successive cohorts	Department of Social Services Individual health centres	Tailoring suitable financial solutions to reward partner involvement
Expansion of solution	Making the MM programme as a core offer at all 11 IFSC campuses	Creating a structure to allow students from all campuses to participate in MM	Suitable funding levels/ mechanisms for staff and students	Ministry of Education	Proposing new arrangements to allow MM to work sustainably
Support coalition	Creating regional networks to ensure a through-flow of students in all 11 campuses	Providing staff and infrastructure to support new student participations	Creating good relationships with social partners in new MM campuses	CRAS –Social Assistance Reference Centre Ministry of Education	Liaising with CRAS to create local connections to channel students in
Transforming & codifying	Creating a model for implementing MM in a campus location	Finalising a set of codified & tacit best practice lessons for new MM locations	Dealing with the problems from having new kinds of student on campus	Local municipalities Local agencies Partners in solidarity economy fairs	Making the implementation model available to new campuses

Source: authors' own design

Thirdly, deep collaboration between the various principal stakeholders and agents was absolutely vital for successful social innovation. In that regard, our findings match those of Moor (2013) who emphasised that collaboration patterns amongst agents should be seen as bridges since they span general lessons learnt and situations of specific communities. Thus, individuals and organizations engaged in social innovation practices should learn how to work collaboratively and, simultaneously, understand the complexity inherent to social systems. This characteristic is very important in the context of the *Mulheres Mil* social innovation due to the nature of the social problem identified – women in vulnerable social contexts. This fits with Martins & Bermejo's (2015) observation that small social innovations can potentially change much broader systems, expanding and upscaling through a collaborative process.

Fourthly, the non-linear nature of the social innovation process proposed was evident in the current case study, in which the overall concept evolved substantially in its Brazilian implementation. In particular, the original idea of richer women donating the funding to support poorer women from the NorQuest University model was replaced by Federal education funding in response to feedback in the development problem. The implementation of the *Mulheres Mil* Program has implied feedbacks not only from the campuses coordinators but also from partner organisations as well as the target public. This kind of feedbacks and interactions are in line with Russel and Williams writing about more technological

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innovation processes (2002, p. 55): "complex influences, unpredictable courses of development, multiple sites of innovative activity, and… extensive innovation during configuration and appropriation, has led to the overarching narrative frame of an innovation journey".

Finally, the involvement of beneficiaries (in this particular case, women in vulnerable conditions) in different stages of the process was important in order to achieve a successful implementation of the Program. There were many small refinements necessary in order to render the programmes truly accessible and valuable (such as changes to the local municipality public transport timetables or the creation of the solidarity fairs) and these were introduced into *Mulheres Mil* during the development process. As emphasised by Sharra and Nyssens (2010, p. 8) and Voorberg et al. (2013, p. 3) respectively, social innovation is a "learning process supposed to give to the end users the tools to take care of themselves" and that "deliberately seeks the active participation of citizens and grass roots organizations in order to produce social outcomes that really matter".

8. DISCUSSION AND CONCLUSION

This paper seeks to bring a more social dimension back to understandings of the delivery of sustainable development goals, and particularly in understanding the scope of social innovation to contribute to sustainable development. The case study dealt with one sustainable development problem with a strongly social dimension, namely social exclusion problems, where women from disadvantaged backgrounds are excluded from the labour market in multiple complex ways that prevent them readily addressing this (Stöger, 2009; Benneworth, 2013). Social innovation represents a way to address this thereby enhancing public policies' effectiveness and maximising positive social impact and, thus, contributing to social sustainable development. This fits with current debates in sustainable development that concede that solutions to social problems often demand important changes in political, economic and social systems (Rinkinen et al., 2016).

The analysis of the current case study regarding the process of social innovation allows understanding social innovation in the context of the association between social processes and community development. This in turn provides a better understanding of how social innovation can contribute to promoting sustainable development, and here a resonance can be seen with Nicholls' et al. (2015) argument that social innovation can be regarded as a response to:

…patterns of modernity that have marginalised certain populations and that see the individual citizen as essentially an economic/consuming actor, not as an active participant in collective decision-making (p. 6).

Following Lundstrom & Zhou (2011), the social innovation involved knowledge transfer from academia to society to create a transformatory effect that can be regarded as a 'return on investment'. The case suggests that a higher education institution (HEI) could potentially function as a key player in promoting social innovation initiatives, fostering social transformations. An HEI can contribute with different kinds of resources and inputs (from staff and teachers to spaces for lectures or conferences facilities to stimulus of innovation exchanges, and social innovation workshops and meetings) to foster new social innovation ideas or practices. HEIs can also act to catalyse other partners' actions and contributions, working with civil society organisations (or not for-profit organisations) who identify community needs,

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thereby contributing to local communities', encourage civic engagement, and mobilise social capital (Otto & Laino, 2012). We see here parallels with Ferraris & Grieco's (2015) notion of the innovation catalyst, with the university here assuming the role on the case of the Mulheres Mil program to connect collaborating stakeholders. Ferraris & Grieco (2015) regard this actor as being essential in helping to span between very diverse partners that may otherwise lack a base for effective collaboration.

This paper suggests taking a wider view of the way that universities contribute to sustainable development beyond universities' own sustainable practices or their contribution of new green technologies. Universities can under certain circumstances act as a 'greenhouse' or 'innovation catalyst' for the emergence of social innovation ecosystems, although it is clear that the *Mulheres Mil* was a relatively example of a national social development empowerment project coinciding with a university commitment to a wider social development goal. The paper's overarching conclusion is that research is necessary to better understand the ways that universities can play these roles to incubate social innovation and insulate it from market pressures to deliver the longer-term social return on investment. This may be in research on the kinds of instruments and mechanisms that universities may create (e.g. social innovation incubators) to stimulate social innovation (Cunha et al, 2015). It may also be on the policies, structures and internal organisational forms necessary to legitimate and overcome internal resistance to social innovation practices within universities. But neither of these are exclusively determined within universities, and they remain strongly dependent on the willingness of their lead outside stakeholders to permit and facilitate social innovation if they are to make these extended contributions to solving the 21st century's sustainable development challenge.

Finally, although an increasing body of literature is emerging around social innovation, it is still fragmented, requiring more systematic studies, considering not only the economic but also the social dimension of innovation (Schmitz, Urbano, Dandolini, & Souza, 2017). Martins & Bermejo, (2015) note the persisting necessity of identifying what effectively generates innovation in social practices and the mechanisms that should be developed for the resolution of social problems. This paper allows to understand the role of universities in acting as a facilitator of new social innovation practices, contributing to socio-economic development and promoting social sustainable development, therefore enriching the literature about the process dimension of the social innovation studies. It also suggests ways that programmes such as *Mulheres Mil*, focused on overcoming problems of social exclusion, could be replicated in other different regional contexts using universities to catalyse stakeholder interaction (cf. Ferraris & Grieco's, 2015).

Clearly, the role of universities in the context of fostering social innovation and promoting sustainable development falls in the wider context of universities' third mission – community engagement and social development, recognizing universities potentially important roles around addressing important socio-economic and environmental problems. Although this paper focused specifically on social exclusion, universities' social missions may also be performed in contributing to urban regeneration to overcome those social exclusion problems (Moulaert, Martinelli, González, Swyngedouw, 2007). As emphasized by Nunes, Tomé & Pinheiro (2013), universities are being encouraged to develop innovative solutions to restructuring cities, acting as an important agent of local development and territorial dynamics, and improving the capacity of cities to meet the standards of Knowledge Economy. Therefore, future research work can be extended to understand the process in which universities can be engaged on urban regeneration and development, promoting social sustainable development through social innovation initiatives.

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ENDNOTE

[1] Interested readers can found a discussion of those definitions in the papers of, for example, Benneworth and Cunha (2015), Nicholls and Dees (2015), and Edwards-Schachter, Matti, and Alcántara (2012).

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Chapter 22
A Qualitative Analysis of Social Entrepreneurship Involving Social Innovation and Intervention

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ABSTRACT

Social entrepreneurship is emerging as an innovative approach for dealing with complex social and environmental needs, and is an important lever for the development of a sustainable society. Social entrepreneurship and related concepts have had a growing attention in the academy, giving rise to dissimilar approaches in the United States of America and in Western Europe. Despite the importance of the Third Sector in Portugal, it has been difficult to set ideal definitions for social entrepreneurship, social entrepreneur and social enterprises. By means of a qualitative study involving four Portuguese social ventures, this chapter identifies contemporary socio-cultural and economic factors that foster social innovation and intervention in Portugal, and contributes to understand the role of social entrepreneur in this context.

INTRODUCTION

Social entrepreneurship is emerging as an innovative approach of modern societies for dealing with complex social and environmental needs. As social and economic conditions are constantly changing – and calling for intervention – the opportunities to innovate and become socially active arise in the business

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arena, in civil society, within non-governmental organizations, or even at government level (Murray, Caulier-Grice, & Mulgan, 2010).

In Portugal, the challenges faced over the last 40 years led civil society, governing bodies and Third Sector organizations to develop stronger efforts regarding societal and environmental issues. With the accession of Portugal to the European Union in 1986, a period of economic stability is established and social policies are implemented more in line with European Union standards. However, with recent economic hardship the Portuguese economy went through, the progressive downsizing in the provision of social services by the state has also been a key player in the triggering of such initiatives. Nonetheless, 'social innovation', 'social economy', 'social entrepreneurship' or 'social enterprises' are yet foreign topics for many in Portugal, especially in what conceptualization is concerned.

Whilst innovation is instinctively connected to technology-based innovation, social entrepreneurship initiatives provide solutions to pressing societal needs that technology, by itself, cannot resolve. This novel form of social innovation and intervention can manifest itself in many different ways to respond to varied phenomena. It may be a product, a process or a technology, a principle, an idea, a law, a social movement, an intervention or a combination of the former ways, among others (Social Innovation eXchange, 2010).

Thus, social entrepreneurship presents itself as a new paradigm of social innovation and intervention, a different way of addressing social risks, where everyone participates actively and may become an agent of change (Michela, Robert, & James, 2010). The fact that anyone can be this Schumpeterian agent that triggers change, either individually or in-groups, is also a hallmark of social innovation. The ability to change and innovate is not in the hands of a minority, but available to all, and the information and communication technologies have made people more alert and reactive to societal needs and more easily empowered.

It is in this context of social empowerment that a new generation of entrepreneurs has emerged, driven by innovators who are using market-based approaches to solve social problems, fostering the expansion of the social entrepreneurship phenomenon. Social entrepreneurship is, thus, emerging as an innovative approach for dealing with complex social and environmental needs in order to contribute to a sustainable development of societies (CASE, 2008). Research on social entrepreneurship is generally phenomenon-driven and one can consider it is still at its infancy (Dees, 2001). Nonetheless, the growing attention in the last years paid to social entrepreneurship from an academic point of view gave rise to dissimilar approaches in the contexts of the United States of America and Western Europe (Defourny & Nyssens, 2010). Thus, it is essential to understand the basic concepts and propose ideal-type definitions for social entrepreneurship, social entrepreneur, and social enterprise adapted to the Portuguese reality, where most initiatives, by tradition, are in the Third Sector.

International theoretical frameworks may not fit perfectly to national context, due to differences in political, regulatory and historical perspectives. However, the understanding of contemporary socio-cultural and economic factors that foster the need for both social innovation and intervention in modern societies, as well the focus on the themes of mission, impact, processes and sustainability within the social entrepreneurship initiatives, may contribute to the setting of a new research field within entrepreneurship. The main aim of this chapter is to contribute to the social entrepreneurship body of research and to the identification of contemporary socio-cultural and economic factors that foster social innovation and intervention in Portugal, by means of a qualitative study involving four social ventures. Its main goals are to:

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- Explore the adequacy of current international definitions and theoretical approaches to social entrepreneurship regarding the Portuguese reality;
- Contribute to raise awareness and visibility of the distinctive characteristics and outputs of social enterprises;
- Identify facilitators, obstacles and other environmental factors that may interfere with the social venture, which may positively contribute to sustain and better promote the development of social enterprises in smart cities;
- Contribute to a better understanding of the impact of the current economic and social crises in the development of social enterprises, mainly regarding sustainability and social impact.

SOCIAL ENTREPRENEURSHIP

The growing interest for social entrepreneurship derives from economic, political, and social unbalances occurring in society creating, on one hand, problems that demand innovative solutions and, on the other hand, fostering opportunities and solutions to solve those problems (Hoogendoorn, Pennings, & Thurik, 2010). State and philanthropic efforts are not able to provide adequate and timely answers to growing societal needs. Furthermore, the competition for the available funds has increased over the years with the successive downsizing of government sponsorship. This need to self-fund organizations led nonprofit leaders to develop a pro-business mindset, ambition and marketing skills, adopting entrepreneurial attitudes and ultimately setting a different landscape of innovative institutions operating within the Third Sector (European Commission, 2003).

Social entrepreneurship blurs the boundaries between the for-profit and the non-for-profit sectors (CASE, 2008). Moreover, attempts to define it tend to engage first by the definition of what entrepreneurship is and what may be 'social' within entrepreneurship. Although entrepreneurship, even if not socially-oriented, "brings about social value by nature, e.g. in creating employment" (Bacq & Janssen, 2011, p. 376), social entrepreneurship has distinctive features that enable its distinction from commercial entrepreneurship (Santos, 2009). The mission, processes, and potential impact are key elements that allow this distinction. Firstly, the social entrepreneur, either individual or in-groups, is driven almost blindly by the mission of changing the world in some aspect, preferentially at larger scale. Martin and Osberg (2007, p. 70) reinforce the idea that "the social entrepreneur aims for value in the form of large-scale, transformational benefit that accrues either to a significant segment of society or to society at large." Thus, the alma mater of social entrepreneurship relies in the efforts done to achieve a better future for a neglected group and ideally for society in general (Martin & Osberg, 2007). Secondly, the way individuals or organizations pursue their social goals is also distinctive. Adopted efforts, and processes must be innovative, appealing, and efficient taking advantage of market skills to promote social change (Certo & Miller, 2008). Thirdly, another important aspect of social entrepreneurship is the impact, which is expected to be systemic and provoke a tangible change of old models and methods. Ideally, it breaks patterns on a wide-scale, leading to a better solution to old problems.

As Mair and Martí (2006, p. 36) state, social entrepreneurship is "still largely phenomenon-driven", as entrepreneurship has been in its early days, but the scenario is changing (Peredo & McLean, 2006; Martin & Osberg, 2007; Dacin et al., 2011). Several authors have been trying to come up with an integrated definition for social entrepreneurship, but no universally accepted version has been issued, as

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social entrepreneurship "in addition to innovative not-for-profit ventures (…) can include social purpose business ventures, such as for-profit community development banks, and hybrid organizations mixing not-for-profit and for-profit elements" (Dees, 2001, p. 1). "Social entrepreneurship may be expressed in a vast array of economic, educational, research, welfare, social and spiritual activities engaged in by various organizations" (Weerawardena & Mort, 2006, p. 22), i.e. the term became so inclusive that wide-ranging beneficial activities, as charities or corporate responsibility may fit under its umbrella, what may constitute a problem for 'real' social and entrepreneurial efforts.

Boundaries are complex, though. Researchers from different disciplinary and geographical origins have followed different approaches (Alvord, 2004; Bacq & Janssen, 2011; Dees & Anderson, 2006). On the other hand, Smith and Stevens (2010) identified different typologies of social entrepreneurship, while Dave and Woods (2005) try to evaluate how the academic and theoretical approach differs from the practitioners' *modus operandi*. Most authors have coalesced around the notion that social entrepreneurship involves the pursuing of opportunities to catalyze social change (Mair & Martí, 2006), social value creation (Dees, 2001), new social equilibrium (Martin & Osberg, 2007) achieved through innovative approaches (Skoll, 2012).

Although being a worldwide phenomenon, space and context gave rise to different approaches, probably related to the different conceptions of capitalism and the government's role on each side of the Atlantic (Hoogendoorn et al., 2010). Nevertheless, within each continent and in the same context, differences emerge (Bacq & Janssen, 2011). Dees and Anderson (2006) identified in the US two different schools: the American Social Enterprise School and the American Social Innovation School.

The American Social Enterprise School focuses on income generation when conducting a social mission. The growing interest of non-profit organizations for new financial sources, other than grants and subsidies, motivated the creation of this movement (Hoogendoorn et al., 2010). This school focuses on the generation of "earned-income" to serve a social mission, blurring the lines between business and social sectors. Differently, the American Social Innovation School focuses on the establishment of new and better ways to address social problems or to meet social needs (Bacq & Janssen, 2011). By identifying and exploiting an opportunity innovatively, the social entrepreneur satisfies a social need and is an activist of social change. This school focuses on the individual, not on the organizational structure (non-for-profit or for-profit) and often incorporates themes effecting large scale, and social systemic change (Pritha, 2007).

According to Dees and Anderson (2006), the intersection of these two schools is of major importance to further developments in this field. They merge both paths and define "enterprising social innovation" as carrying out innovations that blend methods from the worlds of business and philanthropy to create social value that is sustainable and has the potential for large-scale impact.

In Europe, theoretical approaches have been mainly devoted to the concept of 'social enterprise', very focused on EMES research outcomes (Defourny & Nyssens, 2008; 2010), a research network of established university research centers and individual researchers, named after its first research program on "the emergence of social enterprises in Europe". EMES has studied different European national realities in the period 1996-2000 describing social enterprises as organizations providing goods and services related to their explicit aim of benefitting community, which are initiated by a group of citizens with limited material interest in terms of capital. Also, they rely on a collective dynamics involving various types of stakeholders in their governing bodies and treasure their autonomy. Rather than concluding on a single definition, EMES used indicators to frame such ventures and set boundaries for the "galaxy of social enterprises", to provide a conceptual characterization of an "ideal-type" social enterprise (Defourny

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& Nyssens, 2008). Generally, EMES social enterprises consist of associations, co-operatives, mutual organizations, and foundations very much concentrated on the Third Sector domain.

Notwithstanding the broadness of EMES definition, the UK approach is distinct. The initiative to foster social enterprises had origins in the government itself, by promoting active "partnerships between civil society, the public sector, and the private sector" (Hoogendoorn et al., 2010). Institutions have been set to promote the establishment of social enterprises, which were defined as being comprised of "businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximize profits for shareholders and owners" (Hoogendoorn et al., 2010, p. 9). They were given a special legal form, the "Community Interest Companies," subject to a limited distribution of profit and can be promoted by individuals, groups of citizens or by legal entities. In contrast to the EMES approach, the goods and services provided can be related, unrelated or central to the venture's mission, but must be traded within the market.

In sum, whereas in the American Social Innovation School the entrepreneur is highlighted, in all other three approaches the perspective is much more focused on the organization. Two main commonalities must be highlighted: the emphasis on the creation of social value and the existence of earned income to sustain and develop company's mission.

Retrieving the best of each school and following contemporary trends, social entrepreneurship may be defined as a process that involves the identification of an unmet social need (opportunity) and the gathering of resources to act and resolve the need (social mission) in a sustainable and innovative way, through a business-like approach.

The Social Entrepreneur

One of the most well-known definitions of 'social entrepreneur' was proposed by Dees (2001, p. 4) who recognized a social entrepreneurs as:

(…) change agents in the social sector, by adopting a mission to create and sustain social value (not just private value), recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation, and learning, acting boldly without being limited by resources currently in hand, and exhibiting heightened accountability to the constituencies served and for the outcomes created.

As such, social entrepreneurs can be considered a 'sub-species' of the entrepreneurs' "family", where the main difference is that social entrepreneurs usually have a vision of something that they would like to solve in the social field, rather than pursuing wealth or fame in the business arena, as social value is the ultimate goal.

Some authors try not to distinguish entrepreneurship from social entrepreneurship, but rather entrepreneur from social entrepreneur (Light, 2005). Social entrepreneurs draw their strengths from collective wisdom and experience, rather than from personal competences and knowledge; they focus on long-term capacity rather than short-term financial gains; their ideas are limited only by their mission; they see profit as a means in people's service that has to be reinvested in the mission, rather than distributed to shareholders. They engage in a process of continuous innovation, adaptation, and learning, which characterizes their modus operandi (Dees, 2001), but social entrepreneurs "risk their monetary contributions and efforts and mobilize resources for investing in communities without expecting monetary

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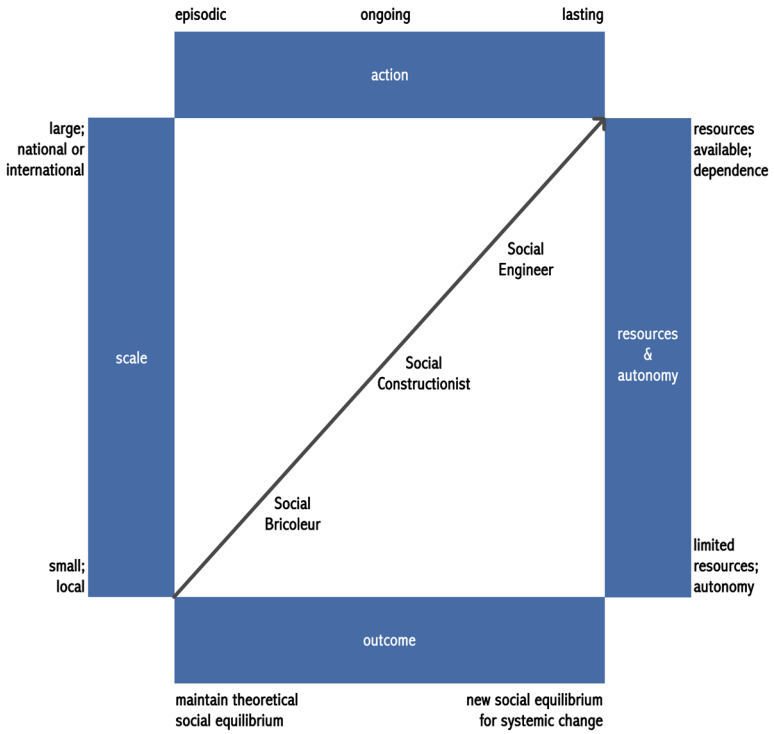
returns" (Autar, 2010, p. 705). Furthermore, some personality traits as agreeableness (i.e. the ability to promote social consensus and mutual understanding), the openness, and the conscientiousness have been recognized as key influence factors on potential social entrepreneurship development (Direction, 2011).

Different perspectives, different *modi operandi* and fields of action led to different "types" of social entrepreneurs. Building upon conceptualizations of social entrepreneurship, Zahra, Gedajlovic, Neubaum, & Shulman (2009) suggested three types of social entrepreneurs, namely the Social *Bricoleurs*, Social Constructionists and the Social Engineers, as Figure 1 depicts.

The Social Bricoleur stems from the perspective that "entrepreneurial opportunities can only be discovered and acted upon at a very local level" (Zahra et al., 2009, p. 524). Entrepreneurs possess the tacit knowledge to intervene at specific local situations with the resources available, thus the association to "bricolage". Their action is autonomous, but limited, as it occurs in a small local scale, intending to solve a specific and episodic situation with limited resources. In view of this, no systemic change or new social equilibrium is targeted, as social *bricoleurs*' actions are marked by a "reliance on readily available resources and improvisation rather than formal planning", what "sometimes prevents social *bricoleurs* from addressing larger needs and scaling up their operations or expanding geographically"(Zahra et al., 2009, p. 525).

Differently, the Social Constructionist builds, launches, and operates ventures to tackle social needs unsatisfactorily addressed by existing institutions. They fill in the social gaps unattended by for-profit businesses or not-for-profit organizations. They match the scale and scope of the social needs, what in some cases may be "quite small, but in many others, the response could be regional, national or even

Figure 1. Types of social entrepreneurs
Source: Own preparation.



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global in scope" (Zahra et al., 2009, p. 525). Their distinctive capacity (a) to spot and pursue opportunities that generate social wealth, and (b) to innovatively deliver goods and services to that end, turns social constructionists into global agents of change, as they are able to develop systemized scalable solutions to meet emergent needs, solutions that can be transferred to other social contexts.

The Social Engineer identifies systemic problems within the social systems and tries to address them by bringing about revolutionary change. Moved by innovation, they destroy dated systems, structures, and processes in order to replace them by newer, more efficient ones. Thus, it is easy to understand that social engineers are a strong change element that can profoundly impact society, as "the revolutionary and ideological nature of the reforms they introduce are usually a threat to the interests of established institutions, and are sometimes seen as subversive and illegitimate"(Zahra et al., 2009, p. 526).

Regardless of such typologies, some characteristics are common to social entrepreneurs. They have to meet the entrepreneurial condition and be innovators and pioneers, dealing with resistance to change. They adopt novel approaches and form social partnerships and cooperation networks. They engage in economic activities, produce goods, provide social and health services or pursue various societal objectives that contribute to the development of society in general or of local communities. The major objective is not connected to material gains to add to their assets; profits are, in principle, (re)invested in the enterprise. Social entrepreneurs mobilize their creative and managerial skills to react positively to social needs, actively and innovatively, not neglecting the sustainable character of their ventures. The social entrepreneur is a person who seeks sustainable and impactful change through pattern-breaking ideas to address significant social or environmental problems, either focusing at local, national or global level, adopting both a social- and business-oriented strategy and ensuring sustainability to the social mission and impact envisaged.

The Social Enterprise

The increasing number and impact of social enterprises, as well their role in welfare provision, environmental issues and in helping restoring post crisis economic activity is recognized in many studies (Dart, 2004; Thompson & Doherty, 2006; Michael, 2008; Nicholls, 2009; Teasdale, 2010; Defourny & Nyssens, 2010; Wilson & Post, 2011; Teasdale, Lyon, & Baldock, 2013). Yet it is still a difficult task to theorize on social enterprising (Nicholls, 2009).

For many years, the terms social entrepreneurship, social enterprise, and social capitalism were used interchangeably to describe revenue-generating activity on behalf of a social mission (Light, 2008). As a result, most of the organizations or initiatives promoted by social entrepreneurs tend to basically be labeled as social enterprises. Thompson and Doherty (2006) studied the diverse world of social enterprises, addressing different "types" of social ventures, profiled according to a basic set of markers. As such, social enterprises must have an underlying "social purpose", where "assets and wealth" are used to benefit community and where "profits and surpluses are not distributed to shareholders" (Thompson & Doherty, 2006, p. 362). The enterprise is seen as "accountable to both its members and a wider community" and "there is either a double- or triple-bottom line paradigm. The assumption is that the most effective social enterprises demonstrate healthy financial and social returns – rather than high returns in one and lower returns in the other" (Thompson & Doherty, 2006, p. 362).

Social enterprises could be described as organizations employing "business solutions to social problems" (Thompson & Doherty, 2006, p. 362). This, though, seems to be an oversimplification of the term. In most

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countries the lack of a specific legal form to encompass these "social enterprises" dims the application of the label. Some socially oriented organizations are more likely to remain dependent on government funds, gifts and grants rather than develop true paying customers, as a true social enterprise must foster. In fact, authors contend that if an enterprise does not generate revenues, and depends mostly on grants and subsidies, then it may be only innovative, but not entrepreneurial (Boschee & McClurg, 2003).

The way social enterprises are legally constituted and financed are critical issues that reflect both distinct socio-economic contexts and the conceptions of social enterprise both in the US and in Europe (Defourny & Nyssens, 2010). To Mair and Martí (2006), however, the important element is the entrepreneurial attitude that fosters social initiatives with an entrepreneurial character. From this point of view, it is easy to understand the hybridity in the organizational forms and their flexibility towards market needs, and available resources. They can be independent; generate profit, employ people and/or hire volunteers, as well as adopt innovative strategies in their pursuit of social change.

If economic benefits are created, these should ideally be reinvested in the social mission, but this is not mandatory. In the end, only the social added value is important.

In Europe, historical developments have led to legal frameworks for enterprises with significant differences across member States, leading to a situation in which most types of social enterprises are not recognized by a legal framework at European level, but only at national level in some member States (Dees & Anderson, 2006). Open-model legal frameworks exist nowadays across Europe, as in Belgium, Italy and United Kingdom, among other countries. Within the EMES approach, social enterprises may combine revenues from sales or fees with public subsidies linked to their social mission and private donations and/or volunteering, and an "ideal-type" social enterprise that comprises the following indicators (I) to reflect both the economic and entrepreneurial dimensions of social enterprises is idealized:

I1: A continuous activity producing goods and/or selling services.
I2: A high degree of autonomy.
I3: A significant level of economic risk.
I4: A minimum amount of paid work.

As for the social dimensions of such enterprises, the following indicators have been provided:

I5: An explicit aim to benefit the community.
I6: An initiative launched by a group of citizens.
I7: A decision-making power not based on capital ownership.
I8: A participatory nature, which involves various parties affected by the activity.
I9: A limited profit distribution.

With these indicators, the authors aimed at providing governments, scholars and users with criteria and indicators to position an organization within the "galaxy" of social enterprises (Defourny & Nyssens, 2008).

Regarding Portugal, the provision of social services has been, for years, mainly promoted within the Third Sector and supported by the government, by means of the so called Private Institutions for Social Solidarity, by church-related charitable organizations or by families, which still play a central role as providers of social assistance (Defourny & Nyssens, 2008). In short, a social enterprise to this context can take any legal form, but it has to pursue a social objective to improve a given social condition (social

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mission), in an systemic and impactful way (impact creation), and by merging social and commercial methods (business-like approach) while at the same time testing creative ways (innovative operational approaches) to mobilize resources, and to generate revenues, other than government funds (sustainability).

METHOD

A preliminary consultation to key social actors actually operating within the Third Sector and the analysis of secondary sources of information allowed an exploratory analysis at the first stage, where organizations were sought to illustrate the Portuguese reality at the time, considering their hybrid mission (both social and business oriented), as well as their potential social impact. The methodology used to carry out this study was explorative, based in the case studies' qualitative data, collected from semi-structured interviews, conducted, between June and July 2012, and available information on media. Deriving from the state-of-the-art review, frameworks adopted and specificities of the Portuguese scenario, questions were formulated and the guide for the interview comprised 10 major sets of questions, namely 1) Characterization of the organization; 2) Mission & Vision, 3) The entrepreneur, 4) Human resources, 5) Organization & Management, 6) Business strategy & performance, 7) Finances & Funding, 8) Interest & pressure groups, 9) Academic or business creation Support and 10) Future actions.

SOCIAL ENTREPRENEURSHIP INITIATIVES IN PORTUGAL

The specificities of the Third Sector, the different legal status and broad social focus, the high dependency on government, the historic proclivity of the Catholic Church, and the absence of a dynamic civil society have made it difficult the deployment of social entrepreneurship and the identification of social enterprises (Franco, Sokolowski, Hairel, & Salamon, 2012). However, given the interest in those initiatives that value, simultaneously, social impact, entrepreneurial approach, and sustainability, several cases were chosen to illustrate some potential catalysts for more initiatives.

The selection of the organizations depended on four main vectors that enabled their distinction from other socially-focused organizations, for instance: their independence, the clear social mission, the adoption of a business-like approach and the sustainability focus. The four Portuguese organizations selected, namely two foundations, an association and a co-operative, were created between 1976 and 2011 (Table 1).

ALFA's mission is to create an interface between business and social economy organizations, encouraging the first to incorporate social responsibility in their culture. The founders aim at using market

Table 1. Selected organizations

Organization	Year of Creation	Legal Status	Localization	Legal Form/Sector
ALFA	2011	Cooperative	Oporto	Second and Third Sector
BETA	2009	Foundation	Oporto	Third Sector
DELTA	1976	Association	Coimbra	Third Sector
SIGMA	2006	Foundation	Aveiro	Third Sector

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tools and strategies to serve this social cause, to give support to minorities and empower them to act, leading businessmen to pay attention for a double-line objective: profit and social benefit. The identification of this social need for more socially responsible organizations derived from the founders' former experiences as volunteers in different organizations and their academic backgrounds. By creating the interface between business and social economy organizations, this cooperative contributes to solving social problems and make companies and social organizations walk pari passu (i.e. on equal footing).

BETA is a foundation created by Oporto's City Council. The mission is to "promote social inclusion and cohesion" within the Oporto area and their vision is to be recognized as an institution that, directly or indirectly, identifies and solves the problems of Oporto's citizens. The work is centered in the development of various projects and initiatives that contribute to improve the citizen's life quality and to provide a range of infrastructural resources open to the city. Being an affiliate of Oporto City Council is a great competitive advantage as well as the effective citizens' recognition of the high degree of efficiency in the solution of problems in which it intervenes. In terms of funding, the foundation receives near 70% of the budget from the city council. This search for new forms of financing is a constant concern in order to guarantee and promote the sustainability of the foundation, either by obtaining its own revenue, whose percentage is intended to raise, through sponsorships or by the undertaking of sponsorship contracts, or by rendering services as training, lodging, rooming, and infrastructures renting.

Working under the motto "Equal People, Different Products", DELTA is a non-profit social solidarity private organization, founded in 1976 by a group of parents and a social assistant, with the objective of contributing to the effective inclusion of people with disabilities and other special needs. The mission of DELTA is to perform actively, sustainably, and entrepreneurially in the rehabilitation and in the promotion of citizenship and quality of life, believing in the human potential in difference. This entrepreneurial-type mission may also be decoded in the vision of the association, as it aims at being a sustainable organization that guarantees respect for the difference and equality of opportunity for all. Since its foundation, DELTA's action has been guided by the promotion of social inclusion and professional development of the users (ca. 430 currently sharing one or more social facilities), through targeted intervention, working side by side with public and private organizations, in a cooperative, open, and complementary way.

The SIGMA Foundation is a privately funded non-for-profit organization of public utility, established in 2006 to ensure the operation of an Affections Village, open since 2009, which was designed by the founder to be a place where "anyone, of any age, may try emotions, discover the paths, even if only a small one, to reach the hearts of others and the heart of themselves." The foundation aims to develop and implement the underlying principle: education by (and for) the affections, which is rooted solely in the work of the founder.

Doctor, professor and author of books, games for affections, thematic spaces and collections with her own publisher, the founder has been conducting, for twenty years, pioneering work centered on the theme of affection. She put all her efforts in the building of the place with determination and goodwill. Financial problems are reported, as the foundation revenues and the investment of the founder were not enough to build and give form to the project, and currently do not cover all expenses either, jeopardizing the continuity and sustainability of the foundation.

In order to characterize these organizations and to label them as social enterprises, it was important to learn about environmental factors and facilitators that contributed to their creation, as well as about obstacles to their existence.

Environmental factors are of extreme importance to create the opportunity to act and may determine the success of the venture. Regarding the main environmental factors, general sustainability demands created

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Table 2. Environmental factors, facilitators, and obstacles

Organization	Environmental Factors	Facilitators	Obstacles
ALFA	• Economic crisis • Current need for organizations to be socially responsible; • General sustainability demands in all domains of society; • Growing awareness of social needs and impetus to act.	• Incubation period at a university incubator • Social contest monetary prize • Incubator business network • Counseling and guidance from university professors and senior managers at a university incubator	• Differences in the conceptualization of social responsibility; • Resistance to change and to integrate novel forms of management
BETA	• Economic crisis • Increasing social needs • Disperse social efforts	• Affiliate of Oporto City Council • Resilience and sensibility of the city mayor to the social cause	• Culture of assistentialism • Downsizing in funding • Lack of articulation in the social network
DELTA	Need to assist people with disability	• Problem shared by many local parents. • Raising awareness to the theme	• Downsizing in funding • Conceived idea of people with disability
SIGMA	• Increasing need for affections • Necessary shift in social paradigms • Economic crisis	• First initiative of the kind in Portugal • Innovative approach	• Lack of funding • Lack of awareness and sensibility to the theme of affections • Family budget constraints

the impetus to act in the founders of ALFA. The need to concentrate all social efforts gave strength to the creation of BETA, as a result of the concentration of dispersed efforts. In the case of DELTA, the main environmental factor leading to its foundation was the need to create the perfect place and environment to assist people with disabilities. Regarding Foundation SIGMA, one can also associate the economic crisis as leading to its creation, although not as pivotal as in other situations.

Regarding facilitators, the most important for ALFA has been the neighboring academic and entrepreneurial environment. The fact that ALFA won a contest launched by a Portuguese university provided them with the opportunity to grow in the university social incubator, with access to the business network and benefitting from the support, counseling and guidance from professors and senior managers. In the case of BETA, the main facilitator is the umbilical connection to the Oporto city Council. Parents sharing the same concerns have been identified as the main facilitator of the creation of DELTA, so that their children could have a proper place to learn a trade and learn how to live and outlive with a disability, where physical treatment could be appropriate and directed towards the needs of people with any kind of disability. The innovative approach in the area of affections was pointed out as the main facilitator for the creation of the Affections Village and the foundation.

As for obstacles in the case of ALFA, these are related mainly to the differences in the conceptualization of social responsibility. It is a novel theme for some companies and its introduction in the management and leadership of a company is difficult, facing resistance to change and to integrate these novel forms of social awareness and responsibility. Besides the downsizing in funding, which obliges to some additional efforts, one of the main obstacles referred by BETA was the existing culture of assistentialism in the Portuguese society. For DELTA, the main obstacles to its proper functioning are the downsizing in funding and the decreasing sales as a result of the economic crisis Portugal went through. However, the conceived idea of people with disability is also a permanent obstacle to fight back, since the creation of DELTA. Foundation SIGMA never received any public funding and the family budget constraints also hinder the possibility of the foundation's financial balance, as families focus on the economic sustainability and maintenance of life status, rather than on fostering family affections, a sensitive theme.

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All initiatives adopted a hybrid social- and business-oriented mission enlightening the contemporary application of innovative business models to address a social problem. Among interviewees there is general consensus that (a) sustainable operational processes are currently mandatory for any social initiative, regardless of the fields of action, and (b) entrepreneurial characteristics are recognized in all of them.

Generally speaking, the four cases presented have been created to respond to a societal need, i.e. have a social mission, but employ (or try to) business-like strategies to achieve sustainability and depend less on donations or subsidies, recognizing that it is vital in current days.

The entrepreneur and the venture profiles are crucial to further analyze these initiatives. Firstly, the entrepreneurs' profile may determine the large-scale impact of the organization and his/her classification as social *bricoleur*, social constructionist or social engineer. Secondly, an ideal-type social enterprise is proposed and verified, developing herein a characterization framework that sets no strict boundaries and potentially applicable to the Portuguese scenario. The basic assumption is that a sustainable enterprise is more efficient in accomplishing its mission than a company that strives for survival. Therefore, this ideal-type social enterprise proposed in Figure 2 sets the mission as the central vector, establishes relations between processes and sustainability, sustainability, and social impact and processes and social impact.

Classification of Initiatives Regarding Type of Entrepreneur

Personal profile and academic background of the entrepreneur may play here a major role. All responsible members interviewed are female and are highly qualified (Table 3).

The long experience of serving social causes, their sensibility and willingness complemented by a master in social economy, provided ALFA founders with the skills necessary to lead this venture. In the case of Foundation BETA, the executive director has developed throughout her professional career alertness to social causes. Her determination and strategy may lead the institution to a higher degree of autonomy, without losing focus on the social mission. The executive directors for management and

Figure 2. Framework used to analyze social enterprises
Source: Own preparation.



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Table 3. Interviewees of members of organizations

Organization Member	Education	Function	Dedication /Years	Personal Characteristics
ALFA	BsC in Psychology MsC student in Social Economy	Founder and CEO	Partial 2 years	• Sensibility and willingness to social causes; • Experience of serving social causes; • Persistence and initiative; • Education
BETA	Engineering	Executive Director	Full-time 4 years	• Experienced manager • Alertness to social causes • Determined and strategist
DELTA	Management	Executive directors for management and rehabilitation	Full-time 14 years 1year	• Sensibility to social causes; • Experience of serving social causes
SIGMA	Medicine	Founder and director	Full-time 6 (+1 of preparation work)	• Persistence, endurance and motivation of the founder • Alertness and dedication to the theme of affections

rehabilitation at DELTA highlight that the institution always looks for the best practices in inclusion and rehabilitation, but at the same time strives continuously for sustainability. In the case of SIGMA, the medical career raised in the author a sense of alertness to the importance of feeling, as many current health problems may derive from the lack of affection in our daily lives. As a writer, she has been devoted to this theme for years, but always envisaged the creation of the Affections Village, a park to value and learn affections.

As provided previously in Figure 1, the three types of social entrepreneurs, namely the social *bricoleurs*, social constructionists and the social engineers (Zahra et al., 2009) allow us to understand some differences and place the founders under the large umbrella of social entrepreneurs, according to the scale, action, outcome and resources, and autonomy demonstrated.

Foundation BETA represents the Social Bricoleur, as it possesses the tacit knowledge to intervene at a specific local situation, in the case Oporto, with the resources made available by the council and with some self-income. By following an activity plan approved by the council, the foundation's action is autonomous, but limited. The scale is local and the resources controlled, so their action is limited in time and broadness, and the ultimate goal is not to create a new social equilibrium, but to maintain it, which will ultimately contribute to the harmonizing of social needs.

DELTA, the Social Constructionist, was created to respond to a social need no one addressed at that time. Their alertness derived from their own experience as parents of children with disability, so the incentive to address this social gap was enormous. The director of DELTA for almost 20 years contributed enormously for the sustainability and credibility of the institution. He was the social constructionist behind DELTA and employees and friends of the institution still share his vision. His capacity to learn, adopt new management skills in the rehabilitation field and innovative strategies to deliver goods and services to the community generated social wealth and sustainability to the institution. His management model could be easily transferred to other social contexts. The scale of DELTA is local, but the organization is large and complex. Resources must be carefully handled, as there are considerable resources and staffing needs. The action is limited to the governmental funding and to the self-income capabilities, and the ultimate goal is not to create a new social equilibrium, but to provide the best life quality to the people with disability.

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ALFA and SIGMA fit both in the Social Engineer typology, although with some differences. The systemic problem within the social systems targeted by ALFA is the lack of social responsibility in companies, which is quite different from the lack of affections focused by SIGMA. Despite the differences in the object, the mission is to replace old models of dealing with social responsibility and affections by newer and more efficient ones. The Schumpeterian change element held by both institutions has the power to profoundly impact and influence society. Due to this substantial objective and scale of action, especially in the case of SIGMA Foundation, resources are hard to achieve and may impose limits to the autonomy and action of the entrepreneur, as no funding has been obtained. The scale of both institutions may be national, or even international, and the ultimate goal is to create a new social equilibrium, where companies recognize the values of social responsibility and society the value of affections.

Regardless of the differences in the scale, action, outcome and resources & autonomy, all interviewees demonstrated the willingness and capacity to deal with a social problem or need with an innovative approach, by adopting novel strategies, breaking with tradition, inertia and aversion to risk. They are social and business-oriented and are aware of the importance of social partnerships and cooperation networks to reach their goals. They engage in economic activities to reach social goals, produce goods and render services, aiming at the development of local communities, groups, etc. or society in general.

Classification of Initiatives by Ideal-Type Social Enterprise Framework

Aiming at providing a comparative analysis of social entrepreneurship initiatives in Portugal, four vectors were established, i.e. mission, impact, processes and sustainability, as previously shown in Figure 2. This framework was developed with indicators and descriptors in each vector, based on the literature revision and matching with the EMES indicators as basis. The mission has been set as the central vector and relations between processes and sustainability, sustainability and social impact and processes and social impact were established.

As previously verified, the mission of these organizations reflects a double paradigm or hybrid form, i.e. social and business-oriented. However, characteristics and *modi operandi* of the organizations BETA and DELTA are similar, aiming at promoting social and professional integration through the employment of disadvantage or disabled people. In turn, the mission of SIGMA is to "develop and implement the underlying principle: education by (and for) the affections.

The explicit social aim is to benefit community, by offering the possibility to learn more and value affections in people's lives. The mission of ALFA reflects a more proactive and business-oriented perspective, as the objective is to "create an interface between business and social economy organizations, encouraging the first to incorporate social responsibility in their culture", by applying a business model to the socially-oriented idea.

The fact that BETA and DELTA depend largely on governmental support distinguishes them from ALFA and SIGMA, which have no subsidies or financial support. Although the first two organizations have their activity mainly supported by governmental subsidies or donations, the obtained revenues percentages around 30 and 40% of revenues in the case of BETA and DELTA are to be highly treasured in the Portuguese scenario. The point to highlight here is that DELTA has always pursued this double objective and it is reflected in the mission statement as well, i.e. the social intervention and the organization sustainability.

The processes adopted seek to support sustainability, to fulfill the mission, and to create social impact. These organizations are not immune to the economic crisis Portugal was going through. As societal

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needs grow up every day, their sustainability may be at risk with the decrease of government support. However, socially oriented initiatives fueled with social focus and social sustainability. As such, DELTA has always acted actively, sustainably, and entrepreneurially sets the difference to other rehabilitation institutions and is reflected in the organization's daily actions and habits. Several services were thought and created to respond to the local community needs and this became a win-win situation.

ALFA and Foundation SIGMA must endure without governmental direct support. The continuous production of goods or provision of services to the community provides the revenues to their existence and guarantees the independency and autonomy of decision. At the moment of the interview, ALFA had no fixed monthly expenses, but aimed to be completely autonomous and self-sustainable. The financial risk involved in ALFA is low when compared to the risky venture of the creator of SIGMA, as personal patrimony is involved and bank might be at stake. The activities of the publisher, the visitors' fees to the Affections Village and all services and products available to community may not be enough to guarantee long-term sustainability of the foundation, as a gross amount was invested in the acquisition and building of the thematic park. The foundation activities imply permanent costs with maintenance, human resources, raw materials and acquisition of services. Sustainability depends fundamentally on the creative owner, who conceived, created and manages the foundation. Thus, the foundation and the decision-making processes benefit from autonomy, but are concentrated on the social entrepreneur.

Although funded by government and other sources, Foundation BETA and DELTA share a high degree of autonomy to develop and implement other funding schemes, enabling the sustainability and enhancement of their activities (I2). ALFA, DELTA and SIGMA are continuously providing services or selling of goods to be able to provide for their objectives. ALFA focuses on a single business area (corporate social responsibility), DELTA provides services and goods to varied areas (physiatrist, laundry, gardening, boxes, cards, pottery, etc.) and SIGMA provides services and goods (therapy, books, games, etc.) in the umbrella area of affections. Unattended social gaps are permanently dealt with by such initiatives. In the case of BETA, the rendering of services is more sporadic and the production of goods is scarce. Workshops, expositions, room renting are some examples of the services rendered, but not on a permanent basis. In summary, all initiatives have a social core (I6) regardless of the form and labeling of each initiative. All envisage benefiting community, bringing about with the social venture more quality of life to the target public and general society, which may bring about social and economic prosperity to the target community (I5), as well as to empower each of the target groups. Ultimately, those organizations have the capacity to influence and empower locals to act socially (I8) by giving all the power to intervene and to participate on decision-making and management of the organization.

A networking and volunteering network (I4) is also helpful in the downsizing of dependency on funds or donors, as on the one hand, it reduces the requirement of human resources and lowers the economic risk, and, on the other hand, it is also empowering and creating the social impact foreseen. ALFA and Foundation SIGMA have not yet recruited volunteers, as the need has not been felt so far. However, it is being under consideration in the future, as the level of economic risk is higher for them. The economic risk in BETA and DELTA is minor, as a large percentage of income is provided by funds.

The existence of this non-paid work is very helpful for a sustainable achievement of the social enterprise. The sustainability pillar is currently essential for any venture, and four (out of nine) EMES indicators reflect such importance. Although all cases strive for a higher proportion of earned income, the analysis of the relationships between processes and sustainability, sustainability and social impact, and processes and social impact can provide some insights regarding the ability of these institutions to pursue their mission and boost their impact in the future.

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Foundation BETA is very dependent on the funds and orientation provided by the city council. This is unlikely to change, as the council has been an important stakeholder since its foundation. It acts as a social service provider of Oporto city and the executive director is the social *bricoleur* that manages and conciliates efforts to achieve the social effects intended to provoke. Thus, it has a limited autonomy regarding its operational and investment strategy.

DELTA possesses intrinsic characteristics of social entrepreneurship, ever since its origins. The development of a business strategy allied to the social aim represents perfectly the ideal matching of social and economic activity. However, based on the specific line of activity and target segment, it is impossible for the association to run their everyday actions without governmental support.

ALFA is a well-funded project, with a social and business oriented strategy, founded by socially aware young entrepreneurs. In light of this framework, ALFA is a young social enterprise, which will certainly develop their work in a sustainable way, providing society with solutions to existing needs and empowering others to act socially as well.

SIGMA is the most entrepreneurial institution, in an innovative area that is the dream and personal effort of a social entrepreneur. The lack of funding may origin some sustainability issues, but provides the foundation with autonomy of decision and action. It is expected, however, that with time, the theme of affections will be given more attention. The focus on affections will certainly provide the foundation with the necessary income to ensure its sustainability and future action.

One of the most extraordinary effects of social initiatives is the capability to empower, and to influence others, leading social ventures and society to act and to recognize the importance of being socially active. To create social impact, either by influencing or empowering others to act, or by creating the necessary conditions for social prosperity in unfavorable situations is a *sine qua non* condition for social enterprises.

CONCLUSION

In the Portuguese context, several entities operating in the Third Sector, as co-operatives, mutual societies, associations and foundations, as well as voluntary non-profit entities self-entitle themselves as 'social enterprises'. However, not all organizations fit in the definition of "social enterprises", despite their important contribution to counteract social inequalities.

In harmony with the Portuguese reality, the term 'social enterprise' was not literally interpreted and was enlarged to social initiatives that envisage social aims and sustainability. The difficulty in the conceptualization and distinction of such initiatives was corroborated when testing the framework used by Zahra et al. (2010) and for the classification of social enterprises by means of the ideal-type social enterprise framework. Although models may seem, in theory, very easy to apply, the fact is that social concepts and fields of action are not easily separated as the practices of the real-world do not always fit the conceptual models.

The role of social entrepreneurs, although vital for the society, is still largely ignored. The positive impact of entrepreneurs providing for social needs and their unique contribution to sustainable economic and social development goals should be recognized, notwithstanding the scale of action and impact created.

The social *bricoleur*, as represented in BETA, is a social entrepreneur who seeks to change his ecosystem. It may not be a systemic or replicable change, but again, how scalable can social entrepreneurship

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be? The social constructionist identifies the opportunity for action and puts all her/his efforts in order to solve the problem identified, even if it means operating large ventures and depending on funds and external resources. Does this make her/him less a social entrepreneur, due to the funding orientation? The social engineer holds the Schumpeterian perspective, but must all social entrepreneurs focus on large-scale and systemic change? Some problems and societal needs do not ask for a social engineer, but for a social *bricoleur* or a constructionist, as they are regionally-based or sporadic.

Regarding autonomy, BETA and DELTA can hardly be completely autonomous due to their core field of action, which influence their capacity to become completely sustainable. Understanding how the field of action or the attended societal needs may limit their long term sustainability is vital to understand how social enterprises can intervene without jeopardizing its survival.

It is interesting to substantiate that the social mission, form, and adoption of some business-oriented measures may not be sufficient for an institution to be classified as a social enterprise. For instance, Foundation BETA lacks the autonomy, a broader impact area, and sustainability is not possible without public support. Despite their mindset and efforts towards autonomy and sustainability, for DELTA it is impossible to run the everyday support without governmental funds. In light of this framework, ALFA is a young social enterprise, which will certainly develop their work in a sustainable way, providing society with solutions to existing needs and empowering others to act socially as well. SIGMA is the institution that most resembles a social enterprise, according to the definition adopted. However, the lack of funding and sizable revenues, and a poor marketing strategy may jeopardize sustainability.

One can conclude that some social entrepreneurs make the difference in such organizations. Some of them are able to lead employees to share their vision and mission and to create a true organizational culture. The professional management of social initiatives allows the organization to achieve financial viability. However, if the social mission is to be seriously deployed, strategists with business skills, and marketing orientation are still necessary to provide the organization with efficient tools to provide long-term sustainable social services.

It was also possible to conclude that the environment contributes greatly to the development of social enterprises. The access to incubators and the partnership with the university were determinant for ALFA and created the perfect conditions for its launching. The access to funding capital is eased and the contact with the network of the university provided ALFA with a large portfolio of potential clients. The lack of articulation in the city social network and the sensibility of the city mayor to the social cause were the environmental facts leading to the Foundation BETA. The creation of DELTA answered to local problems, fostered by the lack of answers in society for parents with disabled children. The awareness and sensibility to the theme of affections led to the creation of Foundation SIGMA.

Two major concerns were put forward by the interviewees: the conceptualization of the social venture and the limited funding.

Differences in the conceptualization and visibility of social responsibility in society, the novelty of the theme, and its difficult introduction within the traditional management and leadership perspectives were mentioned by ALFA, but are applicable to SIGMA as well. The innovative approach of affections in daily lives is also troublesome as families' budget constraints, and economic sustainability tend to override the importance of fostering family affections. Besides the general limitation of funding, BETA identified the existing culture of assistentialism in Portugal as a major obstacle to social enterprising and DELTA pointed out the conceived idea of people with disability as a permanent obstacle to overcome. One conclusion is clear, despite the social orientation found in the four case studies, the cultural

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idiosyncrasies in the Portuguese scenario of social enterprises strongly influences the creation, form, and consistency of such initiatives.

Although the concept of social enterprise has been attracting much attention, little guidance has been offered on how to create social businesses. Moreover, despite ever-growing literature on the social enterprises' concept, there is no consensus regarding its definition. Among the overabundance of definitions, three elements stand out: the social mission, the social impact, and the processes adopted. However, the drive for sustainable ventures in the social field, whatever their nature, is an essential fourth element in current days that needs to be inter-connected with the other three.

Profits can always be controversial in social issues, but if rules were created to regulate their application and distribution, the issue could no longer raise doubts. The creation of social enterprises with legally set boundaries, guidelines and indicators could benefit the whole society and become advantageous for all. Furthermore, innovative business model need to be diffused and training could be provided to social entrepreneurs, in order for them to generate new sources of revenue by finding novel value propositions to address social needs.

The potential market for social enterprises in Portugal is huge, because of the wide range of social needs that remain unsatisfied by existing markets and institutions, which is the result of public policy failure. A new generation of social market-oriented entrepreneurs may be the solution to emerging social problems. Social enterprising is, thus, emerging as an innovative approach for dealing with complex social and environmental needs in order to contribute to a sustainable development of societies.

In short, the *modus operandi* of traditional organizations has been changing in their essence. The mission can no longer be merely social, meaning that profitability or, at least, financial sustainability must also become a concern of such organizations. In a time of crisis and increasing societal challenges and demands, new revenue sources and new business models needed in order to allow that social ventures thrive.

Future Research Directions

The training, background, character and gender of the organization leaders, founders or directors need to be further explored in future studies in order to understand how such variables can provide insight on the entrepreneurs' motivation, strategy, and social orientation. Moreover, it will also be important to analyze how business models are utilized in order to relate social and market orientation with long-term sustainability.

It is clear that individual characteristics, training, and the environment strongly influence social entrepreneurs' action and mirror the organizations they manage. As such it would be useful to understand how training can shape Social awareness and influence long-term performance. Again, the need to further develop the concept of social entrepreneur is mandatory and needs to be complemented with research in countries with less 'favored' social public policies.

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KEY TERMS AND DEFINITIONS

Community Interest Companies: A new type of company introduced by the United Kingdom government in 2005 under the Companies Act 2004, designed for social enterprises that want to use their profits and assets for the public good.

EMES: A research network of university research centers and individual researchers whose goal is to build up an international corpus of theoretical and empirical knowledge, pluralistic in disciplines and methodologies, around our "social entrepreneurship" concepts.

Social Bricoleur: A type of entrepreneur that possesses the tacit knowledge to intervene at specific local situations in order to solve specific and episodic situations with limited resources.

Social Constructionist: A type of entrepreneur that builds, launches, and operates ventures to tackle social needs unsatisfactorily addressed by existing institutions. They fill in the social gaps unattended by for-profit businesses or not-for-profit organizations. The social constructionist aims to spot and pursue opportunities that generate social wealth through systemized scalable solutions to meet emergent needs, solutions that can be transferred to other social contexts.

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Social Engineer: A type of entrepreneur that identifies systemic problems within the social systems and tries to address them by bringing about revolutionary change.

Social Enterprise: An organization of any legal form that pursues a social objective to improve a given social condition, in a systemic and impactful way, by merging social and commercial methods while testing creative ways to mobilize resources and ensure sustainability.

Social Entrepreneur: A person who seeks sustainable and impactful change through pattern-breaking ideas to address significant social or environmental problems, either focusing at local, national or global level, adopting both a social- and business-oriented strategy and ensuring sustainability to the social mission and impact envisaged.

Social Entrepreneurship: A process that involves the identification of an unmet social need (opportunity) and the gathering of resources to act and resolve the need (social mission) in a sustainable and innovative way, through a business-like approach.

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Chapter 23
Locational Determinants of Foreign Direct Investment in the Vietnamese Economy

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ABSTRACT

This chapter investigates the determinants of inward Foreign Direct Investment (FDI) in the Vietnamese economy and their connection to the rapid economic growth the country has experienced. Using the concepts drawn from the extant Ownership-Location-Internalization (OLI) paradigm and Institutional-Based View (IBV) literature, and adopting a quantitative research with the application of secondary data analysis, the study found seven significant locational factors determining FDI inflows into the Vietnamese economy, such as business freedom, market size, labor cost, trade freedom level, inflation rate, human capital, and the effectiveness of property rights. Political risk, monetary freedom, corruption, the country's WTO accession, and the global financial crisis are found to be irrelevant to the inbound investments in the modern economy. A macro-level account and the policy implications are suggested for the promotion of FDI inflows into Vietnam to ensure the country's continuous and sustainable economic development.

INTRODUCTION

After a long period of economic hardship, the political and economic reform named "Doi Moi" was launched in 1986 marking a comprehensive change in the Vietnamese economy from a centrally planned to a market-oriented system (John & Bruce, 2006). The movement towards a market economy has enabled Vietnamese companies to diverge from doing business under traditional arrangements of the Vietnam-

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ese government and other partners within the Soviet trading block to being more liberalized and open to foreign trade (Nguyen, Barrett, & Fletcher, 2006). As a result, Vietnam has transformed itself from one of the poorest countries in the world to a lower middle income country with income per capita of US$1,130 by the end of 2010 (World Bank, 2013). It then has experienced an impressive constant GDP per capita growth, being the fourth highest in the Emerging Asia by the end of 2011, and expected to be the second highest by 2016 (OECD, 2012). There has also been a gradual evolvement of Vietnam's politics and society towards greater openness and opportunity for civil participation. This progress is very essential as it supports Vietnam's vision to become a modern industrialized society.

Furthermore, compared to the state sector, the private sector has become increasingly emergent and important to the country's economic growth, which is regarded as a restructuring focus on more strategic activities (World Bank, 2009). Indeed, in 2012 the government started a privatization programme to attract more foreign investment (Euronews, 2014). Moreover, since accessing to the WTO in 2007, Vietnam has shown a more proactive engagement in international integration and has also made various commitments to be a more friendly investment destination such as liberalizing its economic policies, easing regulatory restrictions on investment and joining Free Trade Agreements (FTAs) not just regionally but also globally (Petro Vietnam, 2014; World Bank, 2013). In fact, to welcome more global investment the government's legal body gave a more equal regulation environment with almost no discrimination for both domestic and foreign businesses. Vietnam has also started to negotiate FTAs with countries beyond its Asia border such as with European countries in 2011-2012.

The country has also become a negotiating member of Trans-Pacific Strategic Economic Partnership (TPP) where major economies such as Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, and the USA join together to create a more compatible business environment to assist each other in the promotion of innovations, economic development, job creation, and active participation in international trade (USTR, 2013). This event clearly creates great potential for the TPP members seeking investment opportunities in Vietnam and vice versa. Therefore, Vietnam strives to expose to a broader investment community beyond the local region. Although a major challenge for many foreign investors in Vietnam might be to adapt to the one-party system, the country's constant improvement in its legal, economic, and political systems with the practical advancements offers great benefits and potential for foreign investors in the long term. This constitutes Vietnam emerging as a key FDI destination in the region.

In comparison with other countries in the region, FDIs in Vietnam have a fairly short history and slow development due mainly to the late participation start only after the 'Doi Moi' renovation reforms in 1986 were launched. However, the country has managed to attract a considerable amount of FDI inflows to become the fourth largest FDI recipient in Southeast Asia in the 2000s despite the impact of Asian economic crisis 1997 (UNCTAD, 2013). The FDI inflows began to develop again in the 2000s because the countries in the region had recovered from the crisis and together with the positive impact of US-Vietnam Bilateral Trade Agreement in December, 2001 (Moosa, 2002). The majority of FDI inflows into Vietnam during the period 1988 to 2005 were into manufacturing and processing industry with 8,072 projects and nearly US$106 billion of registered capital accumulation until 2012 (GSO, 2013). In the service sector, despite the smaller amount in relative terms and marginal amount or even the non-existence of FDIs in the early start of the FDI history in many important service sectors such as the construction of industrial zones or offices and apartment, they are now increasingly attracting more FDI inflows (GSO, 2013). In terms of FDI origins, Vietnam mainly has attracted investors from the Asian region, accounting for nearly 80% of total number of projects with South Korea being the biggest

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investor with US$24.8 billion of registered capital followed by Taiwan, Japan, Singapore, and China (GSO, 2013). Thus, the country has proved itself as a dynamic market with extraordinary changes in the macroeconomic indicators, the increasing regional and global integration and continuous efforts in improving the economic system, and the development of both the state and private sectors.

FDI activities have been increasing in the global economy at a faster rate than any other international business (IB) transactions of multinational enterprises (MNEs), due mainly to the compelling economic advantages both for the MNEs and the recipient countries (Peng & Meyer, 2011). Consequently, the spectacular growth of FDIs has considerably increased productive capacity and industrial standards, as well as contributed to the spread of the best practices in corporate governance, accounting rules, and legal traditions across the world (Pike, Neale, & Linsley, 2012). In fact, the increasing significance of mergers and acquisitions (M&A) is believed to stimulate domestic corporate control, information disclosure, discipline, and the accountability of managers. Furthermore, FDIs have been also evidenced to provide numerous spillover effects such as raising employment opportunities, increasing labor standards and knowledge transfers, enlarging tax revenues, and fostering competition in the domestic market, thus leading to economic growth (Meyer & Sinani, 2009; Blomstrom & Kokko, 1998). Due to such a wide range of profound socio-economic impacts, FDIs have been used extensively more than other forms of internationalization resulting in significantly greater attention by extant academic literature with empirical examination (Mody, 2007). Simultaneously, the distribution of FDIs is extremely unequal, with emerging markets accounting for the substantial share of foreign-registered capital.

This phenomenon has motived some scholars to investigate the reasons and determinants that attract these significant FDI flows into developing economies (Mody et al, 1998). However, the majority of the available studies mainly focus on FDIs in mature economies despite the fact that developing countries experienced a big increase in the last decade, absorbing nearly half of the global FDI inflows (UNCTAD, 2012). There is still a lack of evidence on the geographic and sectorial distribution of FDIs within particular recipient countries due to the limited availability of datasets and combination of the developing areas into single studies (Noorbakssh & Youseff, 2001; Hussain & Kimuli, 2012). Therefore, our chapter investigates the determinants of FDI inflows in Vietnam from 1995 until 2011 through the application of the Ownership-Location-Internalization (OLI) framework and institutional theory with particular emphasis on economic factors including market size, human capital, labour costs, and the degree of trade openness.

The analysis of the FDI determinants in developing countries has a number of benefits. First, it contributes to the economic literature regarding determinants of FDI inflows in developing countries generally and in Vietnam in particular. Second, our findings will enable policy makers to understand what factors are attractive for foreign investors in Vietnam and what further adjustments in government policies are required to motivate more companies to conduct business in the country. Finally, our discussion will help foreign investors gain an insightful overview into the Vietnamese economic, legal, and political systems so as to identify the destination's business opportunities as well as current limitations.

THE CONCEPT AND TYPOLOGY OF FDIs

One of the most important components of economic growth for any country is the volume and value of both domestic and foreign investments. Although there were some attempts made in the extant literature to explain the FDI decisions of MNEs, the exact impacts of certain determinants on FDI decisions and

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the explanation of what are the most important factors in a country's attractiveness are still controversial (Chakrabarti, 2001). Prior to discussing the relevant theories of FDI determinants, it is necessary to understand what can be regarded as FDIs. In general, investment can be understood as a risk-associated involvement of economic assets of different property types in various entrepreneurial activities by national or international investors to earn profits and obtain economic benefits. In a broad sense, FDIs can be understood as a supply of capital by foreign investors to a host country based on profit consideration with a lasting interest towards a resident entity in another economy (Caves, 1996). However, this definition does not differentiate FDIs from any other types of cross-border transactions and narrows the essence of FDIs to primarily capital management.

Noy and Vu (2007) argue that the main feature of FDIs is ownership and engagement of investors in governance matters for extended periods of time, whereas portfolio investments are short-term and pursue only financial interests without significant commitment and control over strategic development of the organizations. Nonetheless, it does not necessarily mean that portfolio investment could not include long-term securities. Here, short-term rather indicates a propensity not to hold securities for a significant duration (Moosa, 2002). Similarly, the OECD (1996, pp. 7-8) offers the following statement:

foreign direct investment reflects the objective of obtaining a lasting interest by a resident entity in one economy (''direct investor'') in an entity resident in an economy other than that of the investor (''direct investment enterprise''). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated.

The OECD also recognizes the ownership of a 10% investment threshold which is somewhat regarded as an arbitrary number in many cases (Moussa, 2005). In reality, the ownership of more than a 10% investment share may exert considerable control with an effective voice in management, while those with a share less than 10% may not lead to the exercise of any substantial influence (OECD, 1996). This is consistent with the International Monetary Fund (IMF) recommendations regarding foreign investors holding 10% or more of the ordinary shares or voting power in an enterprise to enable direct investors to have authority or participate in the administration of a firm (Rowley, 2006). However, Sinani and Meyer (2004) explain that FDIs should not only be viewed from financial and corporate governance perspective, but should be rather regarded as a managerial package of advanced technology, skills, tacit knowledge, and tangible and intangible business assets.

There are many reasons for the engagement of MNEs in foreign investment, such as embracing and responding to foreign market demands, imitating competitors, retaliating against foreign rivals, following customers or suppliers, creating additional return on existing assets, and pursuing new growth opportunities in international markets (Root, 1987). The theoretical basis of the IB approach to FDI motives can be recognized in an earlier taxonomy forwarded by Dunning (1993, 2000) in which FDI motives are categorized into four orientations: *market-seeking, efficiency-seeking, resource-seeking, and strategic asset-seeking*. Generally, different FDI orientations result in different MNEs' decision on location selection and, therefore, these motivations are closely linked to the determinants of FDI (Fetscherin, Voss, & Gugler, 2010). However, MNE participation in FDIs can be with multiple orientations and tend to change the motivation as they become more established and experienced on the international stage.

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First, natural resource-seeking investors are enterprises whose motive of investing abroad is to obtain particular and specific resources of a higher quality at a lower real cost than could be acquired in their home country. By doing so, these enterprises can be more profitable and can strengthen their competitiveness in the markets (Makino, Lau, & Yeh, 2002). According to Dunning and Lundan (2008), there are three main types of resource-seeking: The first kind is for primary producers and manufacturing enterprises who seek physical resources with the motives of cost minimization and security of supply sources. The second group comprises manufacturing and service MNEs from countries with high real employment costs that seek plentiful supplies of cheap and well-motivated unskilled or semi—skilled labor in other countries with lower real employment costs to supply labor-intensive intermediate phase of production or final products for export. As the global labor costs have been rising, investment has shifted from advanced industrializing developing countries such as Mexico, Taiwan, and some countries in Central and Eastern Europe to emerging countries like China, India, and Vietnam with new more open trading policies and cheaper supplies of labor (Luo & Tung, 2007).

Especially in the case of Vietnam given the China's rising labor costs recently and the country's proximity to China, it increasingly gains its foothold in the low-end manufacturing and is predicted to benefit from existing supply chain (Barnato, 2013). The third type is prompted from mostly emerging economies to industrial nations in order to gain access to financial resources and technological capability by obtaining knowledge, organizational skills, and management and marketing expertise (Dunning & Lundan, 2008). However, all of the conceptualizations of resource-seeking motivations are made under the assumption of the immobility of the required resources (Dunning, 1993). Thus, this motivation is mainly referred to physical, tangible resources that are either immobile or costly to transport, while it appears to be less imperative for investment in information-intensive industries (Nachum & Zaheer, 2005).

Second, market-seeking investment is undertaken to serve particular markets by employing local production and distribution facilities, rather than by exporting from the home country or a third country, with the purpose of maintaining or protecting existing markets, or exploiting or supporting new markets (Dunning, 2000). The most notable reasons for this kind of investment are market size and the prospects for market growth in the host countries (Dunning & Lundan, 2008). Additionally, MNEs might want to engage in FDI to follow their customers and suppliers abroad or to have the greater reduction of production and transaction costs than supplying products from a distance (Dunning, 1993). Furthermore, market-seekers are also often driven by the need for proximity to local customers so as to be aware of and able to meet their specific tastes and needs, because in many cases without familiarizing themselves with the indigenous language, business customs, legal requirements and marketing procedures, foreign firms may find themselves at a disadvantage in comparison with local firms (Nachum & Zaheer, 2005). Increasingly important, as part of a MNE's international production and marketing strategy, MNEs may want to consider market-seeking investment to gain a physical presence in the leading markets served by its rivals (Rowley, 2006). Compared to other kinds of FDI, market-seeking MNEs are prone to consider their foreign affiliates as self-contained production units rather than as part of an integrated network and, therefore, they tend to be the most reactive to indigenous needs and cultural sensitivities (Dunning & Lundan, 2008).

Third, efficiency-seekers are regarded as experienced and diversified MNEs that seek well-developed and open cross-border markets where they have already established resource-based or market-seeking investments (Dunning, 1993). Here, the intention is to rationalize the structure of the established investments in such a way that they can take advantage of common governance over geographically-dispersed activities in two possible ways. The first kind is designed to benefit from differences in the availability

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and cost of traditional factor endowments in different countries in which MNEs decide how best to configure their operations, corresponding to the comparative advantage of different locations so as to reduce costs and maximize efficiency (Zaheer & Manrakhan, 2001). An example of this kind of efficiency-seeking investment is when MNEs invest in both developed and developing nations. On one hand, it can benefit from capital, technology, and information-intensive activities from developed countries, and on the other hand it can simultaneously take advantage of cheaper labor and natural resources available in the developing locations. Another kind of efficiency-seeking investment is undertaken in countries with similar economic structures and income levels with the purpose of taking advantage of the markets of scale and scope, and of differences in consumer tastes and supply capabilities (Dunning & Lundan, 2008). Nevertheless, Kogut and Zander (1993) argue that the spread of this type of investment requires substantial geographical coordination and knowledge transfer skills, which for the reasons of various market failures is better employed internally than externally.

Finally, strategic-asset seeking investment include both established MNEs pursuing an integrated global and regional strategy, and first-time foreign direct investors hunting for access or purchase of competitive strength in an unfamiliar markets (Dunning, 2000). The central motivation for this investment is to protect or advance the firm's long-term competitive position, followed by the motives to exploit specific cost or marketing advantages together with boosting their global portfolio of physical assets and human competences (Dunning & Lundan, 2008). Thus, it is believed to aim at either maintenance or strengthening of their ownership-specific advantages or to the considerable weakening of the rival's position.

In the case of Vietnam, inward FDI is still considerably dominated by regional investors, accounting for 80% of total number of projects accumulated in 2012. Hence, the second kind of efficiency-seeking investments might play a significant role in total foreign investments, which will, in turn, be attributed to the considerable role played by the favorable local institutional and economic factors listed above. Therefore, institutional-based literature along with the real situation in Vietnam will be discussed in this chapter, followed by testing hypotheses to quantitatively examine these issues.

Fundamental Theories

Since the 1930s, there have been various context-specific theories of geographical distribution of FDI with the focus on the value-added activities of firms. However, until the 20th century, the extant economics and business literature has not given much attention to how location-related theories can explain the emergence and development of the cross-border activities and their impact on the investing firms' competitiveness (Dunning, 2000). Conventionally, explanatory variables such as sectorial composition, home and host economic conditions, and various company-specific considerations have been used to extend the standard theories of location to cover a wide range of cross-border value added activities (Dunning & Lundan, 2008). Therefore, the focus of this research is to examine locational factors attracting FDI inflows to Vietnam and to explain FDI activities through the prism of location theories without resorting to other theoretical groundings such as portfolio or risk diversification, internalization, product life cycle, and others.

Historically, one of the major theorems to explain locational determinants of FDIs was based on the Heckscher-Ohlin (HO) model of neoclassical trade theory in which FDI was regarded as part of the international capital exchange Thus, Stolper and Samuelson (1941) argue the HO model was built upon a 2x2x2 general equilibrium framework with two countries (home and foreign), two productive

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inputs and two goods, with the assumption of perfectly competitive goods and factor markets, identical constant returns, zero transport costs, and factor endowments that exclude specialization. Furthermore, commodities are assumed to differ in relative factor intensities and countries differ in relative factor endowments, resulting in the difference in international factor price; therefore, a fairly capital-abundant country would export its capital-intensive goods to other foreign countries. In the absence of commodity trade, the home country would move capital to foreign countries where returns on capital are greater and returns on labor lower until the price factor between the home country and the foreign countries are equalized. MacDougall (1960) and Kemp (1964) supported this statement by developing their own model with the assumption of full employment, perfect competition, and constant returns, but with only one good and two productive inputs, thus reaffirming that capital would be shifted to the capital-scarce country where greater capital returns is expected.

However, the neoclassical approach received strong criticism for its limited ability to explain FDI flows. Among the first opponents to the approach was Hymer (1976) with his industrial organization hypothesis, and Kindleberger (1969) who argued that the assumption of a perfect market in neoclassical theory was unrealistic and could not thoroughly explain FDI. Both authors paid great attention to the concept of monopolistic advantage to explain the engagement of companies in cross-border activities. Thus, it is argued that the companies must possess ownership advantages such as brand names, patent-protected technology, and managerial and organizational capabilities. Moreover, there should be government interference to balance out the disadvantages of penetrating a foreign market including differences in culture, business ethics, legal system, physical distance, and other inter-country differences in order to compete with local companies.

Even though the ideas of Hymer (1976) and Kindleberger (1969) were used by Graham and Krugman (1991) to explain FDI growth in the USA, it seemingly fails to explain why companies do not utilize their own comparative advantage by producing in their home country and exporting overseas, which is an alternative to FDIs (Moosa, 2002). Moreover, although the ownership competitive advantage approach explains why companies invest overseas, it does not explain why companies choose invest in country A rather than in country B. Therefore, the primary location hypothesis seeks to fill this gap by explaining the FDI existence due to the international immobility of some production factors such as labor and natural resources, leading to location-related differences in the cost of production factors (Dunning & Lundan, 2008). One significant form of location-related differences in the cost of production factors is the host country's locational advantage of low wages, which is the level of wages in the host country relative to wages in the home country (Moosa, 2002). However, there has been mixed evidence on the hypothesis supporting the concept that cheap labor costs attract FDI. Thus, Love and Lage-Hidalgo (2000) established that real labor cost differences between the USA and Mexico had a considerable effect on FDI flows from one country to another, whereas Yang, Groenwold, and Tcha (2000) found that cheap labor cost has no considerable or even reverse impact on FDI flows. Nevertheless, high wages might be indicative of high quality of labor, in which case clearly the relationship between low wages and FDI would not hold (Moosa, 2002).

As a response to the limitations of traditional location theories, Dunning (1988) developed the eclectic OLI paradigm by integrating the industrial organization hypothesis, the internalization hypothesis, and the location hypothesis without being too precise about how they interrelate (Moosa, 2002). However, unlike internalization theory, it does not claim to be the theory of MNE *per se*, but rather a paradigm which covers various explanations of firms' cross-border value-adding activities (Dunning, 2001). It

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provides a conceptual framework for explaining 'what is', rather than 'what should be', the level and structure of the firms' foreign value activities, for which it primarily addresses itself to positive rather than normative issues (Dunning & Lundan, 2008). Indeed, this paradigm seeks to offer a general framework for ascertaining the extent and pattern of both foreign-owned production carried out by a country's own firms and that of domestic production owned or controlled by foreign firms (Dunning, 2000). Hence, it is applicable to explaining certain kinds of trade where the trading enterprises' advantages are not only country-specific, but also firm-specific.

The OLI paradigm is described as a simple but profound construct which has remained the dominant analytical framework for accommodating a variety of operationally testable determinants and MNEs' foreign activities (Caves, 1996; Dunning, 1993). Accordingly, Dunning and Lundan (2008) posit that the level and structure of foreign activities undertaken by MNEs will depend on four conditions being satisfied. First, the firm must possess unique and sustainable ownership-specific (O) advantages over firms of other countries in the servicing of particular markets or groups of markets. These O advantages are mainly in the form of the privileged possession of intangible assets, including monopolistic power, size, and the right to a particular technology arising as a result of coordination of related cross-border, value-adding activities. Second, assuming that the first condition is in place, the extent to which the firm perceives it to be in a more beneficial position to use these O advantages rather than to sell to foreign firms. These are market internalization (I) advantages, referring to either the greater organizational efficiency or superior hierarchies' incentive structures, or their ability to exercise monopoly power over the assets under their governance. Thirdly, assuming that the first and second condition hold, the extent to which the firm perceives it will be more profitable to create, access, or utilize its O advantages in a foreign location. Correspondingly, it is assumed the spatial contribution of L-bound resources, capabilities and institutions are uneven and, therefore, will bestow a competitive advantage on the countries possessing them over those that do not. Thus, the principles of the eclectic OLI paradigm are straightforward in that the more a country's firms have desirable O advantages, the bigger the incentive they possess to internalize rather than externalize their use, and the more they find it in their interest to access or exploit them in a foreign location; consequently, the more likely they would engage in outward FDI.

LOCATION-SPECIFIC FACTORS IN VIETNAM

Since the focus of this study is to examine the FDI locational determinants of Vietnam, the focus is largely on the critical discussion and analysis of the L factors in the OLI framework. As Dunning and Lundan (2008, p. 97) highlight, "attempts to explain patterns and levels of MNE activity without taking account of the distribution of L-bound endowments and capabilities are like throwing the baby out with the bathwater!". Thus, the need to co-locate home-base activities at a particular location becomes an inevitable trend which also facilitates cross-functional coordination and integration of knowledge and inputs sourced worldwide (Porter, 1994). Conventionally, empirical studies have examined the location-specific advantage variables and detected that such factors as market size, market growth, barriers to trade, wages, production, transaction costs, political stability, cultural distance, and the host government's trade and taxation regulations have the most significant influence on FDI decisions (Dunning, 1993).

Most studies of location and trade focus endowments and factors related to cultural, legal, political, financial and institutional environment (Sethi et al., 2003). Dunning and Lundan (2008) divide them into two main categories: *traditional factors* and *institutional factors*. Notably, the institutional assets are a

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new addition to the paradigm which encompasses the range of formal and informal institutions governing the value-added processes within firms (Globerman & Shapiro, 2003). In the section below, we will critically analyze the most representative *traditional factors* with an appropriate application to Vietnam.

Market Seeking Investments

Generally, a typical host market characteristic such as market size is identified as a considerable determinant of FDI flows – as markets enlarge in size, so do opportunities for efficient utilization of resources and the exploitation of economies of scale and scope via FDI (UNCTAD, 1998). In other words, as soon as the market size of a particular country has increased to a level ensuring the exploitation of economies of scale and scope, the country becomes a potential target for FDI inflows (Moosa, 2002). The relationship between FDI flows and the market size is explained as an adequately large market would allow for the specialization of the factors of production and therefore lead to cost minimization (Willmore, 1976). Furthermore, as the existence of large local market might also facilitate static and dynamic economies of scale, it would in turn provide an advantage for foreign investors undertaking exports apart from serving the local market (Patibandla, 2001).

The author also strongly argues this advantage can even enlarge in a host developing country with a large market for differentiated goods by cheap cost of semi-skilled and skilled manpower. Indeed, a great number of survey studies have produced results supporting the positive relationship between FDI inflows and market size (Chakrabarti, 2001). Love and Lage-Hidalgo (2000) used GDP per capita as an explanatory variable in an equation designed to explain US FDI in Mexico and the variable was a significant determinant of FDI flows. In support of this statement, recent studies on Chinese outward FDI also indicate that as a response to the increase of offensive market-seeking motives, Chinese MNEs increasingly direct their investment towards large markets (Deng, 2004). However, research of Yang *et al.* (2000) of the Australian market show an exceptional result that there was no significant relationship between FDI flows and either the contemporaneous change in the national economic output.

As a transitional economy, Vietnam has been transforming itself from a closed-market, command structure to a market-oriented economy, and now represents a market with a surplus labor force, a consistently stable increase in GDP, and positive economic changes (John & Bruce, 2006). Furthermore, most of the domestic firms were once state-owned enjoying a virtual monopoly under the old system. However, as Vietnam is opening more itself to the global economy, to meet the growing competition, many firms now are open to foreign investors. Hence, Vietnam can be depicted as a promising destination for foreign investments inflows and our first hypothesis is proposed as:

H1: Vietnamese FDI inflows are positively associated with the market size.

Host Inflation Rate

Volatile and erratic host country's inflation rates discourages market-seeking FDI by generating uncertainty and causing inability of agents to commit to future actions, hence making long-term corporate planning problematic, especially with regard to price-setting and profit expectations (Buckley et al., 2007). In factor markets, inflation might lead to a fall in real wages value and other factor prices relative to consumer prices due to an increase in business costs produced by the inflation rate (Kessel & Alchian, 1962). Such an increase in business costs would consequently result in a decline in the returns to the

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co-operating agents or production relative to prices. More specific implications would be that high inflation rate devalues domestic currency, therefore reducing the real value of earnings in local currency for market-seeking investing companies (Morsink, 1998). As an impact of the domestic currency devaluation, the host country with high inflation rate would also suffer from lower purchasing power and capacity.

Additionally, by escalating the locally sourced inputs prices, high inflation rates make it harder for investors to maintain a cost advantage in third markets, thereby discouraging export-oriented FDI (Buckley et al., 2007). Another possible explanation for the negative effect of the inflation rate on FDI locational decisions is that because inflation rates cause significant impact on the host country's economic growth which ultimately deteriorates the host country's attraction to foreign investors (Khan & Senhadji, 2001). Therefore, high inflation rates can be an impediment to FDIs as it shows a clear sign of the host country's status in terms of macroeconomic stability (Kok & Ersoy, 2009). However, Zeng (2009) found that the inflation variable was not significant in determining FDI inflows in both China and India during the period 1984 – 2002. Therefore, our second hypothesis is:

H2: Vietnamese FDI inflows are negatively associated with the inflation rates.

Quality and Cost of Human Capital

Labor cost undoubtedly remains among the most important considerations for cross-border value-adding activities. Indeed, as a main characteristic of the lower cost locations for operations, cost of labor is regarded as the key input for a firm's production process and therefore efficiency-seeking and market-seeking investments (Buckley et al., 2007). On the same note, Vernon (1966) argues that availability of cheap inputs, especially human capital, is a significant determinant for moving production capacity overseas, and is believed to be a pull factor for the host market (Morsink, 1998). In fact, US-based MNEs selected countries in East Asia on the basis of lower wage rates to shift their manufacturing operations to gain cost-reduction in production, resulting in profit margin improvement and higher competitiveness (UNCTAD, 1997). The competitive intensity and the low-cost heaven offered by some Asian countries facilitated FDI restructuring strategies of some US-based MNEs and enabled them to shape up efficiency-seeking investments in Asian countries, leading to greater economies of scale (Sethi et al., 2003).

Furthermore, Farrell (2005) found significant savings from the difference in level of wages between developed and developing countries by showing that US firms saved US$0.58 for every dollar and the German firms saved €0.52 for every Euro spent on jobs they had moved to India. The level of cheap labor costs of the host country relative to labor costs in the home country also explains why such countries as China, India, and Vietnam attract labor-intensive production such as footwear and textiles (Moosa, 2002). In particular, Vietnam possesses a relatively low manufacturing labor costs with average expenses being roughly 35% lower than the coastal industrial zones of China (Asian Coast Development Ltd., 2013). Simultaneously, productivity and the high quality of human capital in the host country become an increasingly important driver of cross-border value-adding activities and selection decisions of the FDI locations (Morsink, 1998). Thus, Barrel and Pain (1996) argued that for long-term development, the extensive reliance on cheap labor cost without duly considering the quality of human capital might be a very risky approach.

Dossani and Kenney (2003) supported this argument by showing that while investors were at first attracted to India for low cost reasons, they retained and expanded their scales due to the high quality of the workforce, which was also partially a function of earlier investors' agglomeration and positive exter-

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nalities created. Bunyaratavej, Hahn, and Doh (2007) also argued that companies tend to seek relative parity with their home country's workforce quality and associated costs despite some wage discount in respect to domestic costs. Therefore, cost savings and abundance of skilled workforce would be expected to encourage FDI inflows into the host country:

H3: Vietnamese FDI inflows are negatively associated with the labor cost.
H4: Vietnamese FDI inflows are positively associated with the quality of human capital.

Political Risk and Institutional Development

Over the past three decades, institutions have become integral in clarifying the determinants and impacts of IB activities, due primarily to globalization, technological progress, and the volatile and complex environments in which MNEs operate (Dunning & Lundan, 2008). Accordingly, the significance of country-specific and context-based institutional factors as determinants of FDI flows has been increasingly emphasized in extant IB literature (Peng, 2003; Globerman & Shapiro, 2003). Although there have been several studies attempting to explain the firm's relationship with its broader environment, the application of mainstream theories in developing countries tends to be problematic (Peng, Wang, & Jiang, 2008). This is because some developing countries diverge considerably from developed economies on the premise of institutional development (Patibandla, 2001). Therefore, in order to effectively examine the complex and volatile relationships between the firm and external environments in emerging economies new theoretical tools incorporating the institutional-based view are required (Peng et al., 2008). Traditionally, institutions are defined as 'the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)' (North, 1991, p. 97).

Dunning and Lundan (2008) attempted to incorporate institutions into the OLI paradigm and claim that institutions along with their enforcement mechanism set the 'rules of the game' in which firms must survive and achieve their own learning and resource allocative goals. Hence, an institutional system consists of the combination of formal and informal institutions that govern individual and firm behavior (Peng & Myer, 2011). Thus, formal institutions embrace laws, regulations, and rules which are formed by the authorized bodies influencing such areas as corruption, transparency, political risk, economic liberalization, and regulatory regime (Peng et al., 2008). On the other hand, informal institutions exist in the form of norms, values, cultures, ethics concerning what behaviors are morally right and wrong, and what is important and what is not within a society (Peng *et al*., 2008). Therefore, institutional dimension is a key factor having a tremendous influence on foreign investments' strategies and operations (Estrin, Meyer, Wright, & Foliano, 2008).

As institutional frameworks may vary within countries, especially in emerging economies such as Vietnam, institutions are continuously evolving with the dynamic processes of change taking place at national and local levels (Meyer & Nguyen, 2005). Vietnam is a transition economy whose reforms initially concern primarily formal institutions at the central level (World Bank, 1996). Therefore, the country is chosen as an empirical setting to investigate the effect of institutions on FDI as a particularly suitable context since the country has been through the major economic transition process, while weakness of formal institutions still remain a big hindrance to business creating significant political risks (Tenev, Calier, Chaudry, & Nguyen 2003; van Arkadie & Mallon, 2003).

H5: Vietnamese FDI inflows are positively associated with the political risk.

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Economic System

An economic system refers to the rules of the game followed in a country's economic development strategy. Thus, diametrically opposite approaches would be a pure market economy characterized by the "invisible hand" of market forces, or a pure command economy in which all factors of production are state-owned or controlled and all supply, demand, and pricing are planned by the government (Peng & Myer, 2011). Extant empirical literature on country level determinants of FDI indicates that market-oriented institutions, transparent taxation, and absence of performance requirements imposed by the government attract foreign investment in to the economy (Globerman & Shapiro, 2003). Institutional factors within a market-oriented system moderate transaction costs, or diminish significance of obtaining access to local informal networks that might either facilitate or hinder foreign investment activities (Meyer & Nguyen, 2005; Peng, 2003). Since Vietnam is changing towards a market-oriented economy with a bureaucratic but entrepreneurial business environment, the main challenge for foreign investors is to adapt to the quick pace of institutional change (Meyer & Nguyen, 2005).

In fact, legal framework for FDI has continually developed with the first FDI law passed in 1987, followed by leading changes in 1990, 1992, 1996, 2000, 2005, and especially in 2006 which officially marked when Vietnam acceded as the 150th member of the World Trade Organization (WTO) (Allens, 2012). Primarily, only several sectors were open to FDI, but such restrictions on the maximum foreign ownership stake have been gradually discarded. UNCTAD (1997) believes that subsequent failure of planned economies resulted in widespread disenchantment with restrictive policies and so developing countries in Asia gradually opened up their economies and set up agencies to attract FDI instead of earlier hostility towards MNEs. Significantly, alterations in other laws and regulations in Vietnam have been set to be equally essential to investors, embracing creation of procedures for granting investment licenses and regulations regarding land lease, recruitment, salaries, and taxation (van Arkadie & Mallon, 2003).

Nonetheless, given the fact that Vietnam began economic reform in 1986, the Communist Party still remains firmly in power with the direct influence of the government and interference by the ruling authorities in many aspects of the economy. State-owned enterprises (SOEs) still contribute more than the domestic private sector to GDP, yet their share has been gradually decreasing from 40.5% in 1997 to 38.3 in 2002 (Meyer & Nguyen, 2005). However, government policy targets are to restructure SOEs via privatization, the lessening of subsidies, and the restructuring of non-performing loans. Moreover, compared to the past with the significant discretionary interference by government authorities in private businesses, since 1999 entrepreneurship and private enterprises have received more support from government policy though the institutional framework (Tenev *et al*., 2003). Hence, along with significant changes in the economic system, the business environment, FDI legislation, and regulations throughout the history of Vietnamese development, a set of hypotheses is proposed for testing in order to investigate the role of institutional liberalization policies towards FDI. These factors are very new in this field of research and cover a wide range of assessment in terms of the development of host institutional environment. Furthermore, in order to examine whether or not Vietnamese FDI inflows are influenced by the accession of WTO in 2006 and the global crisis in 2008, a time dummy for 2006 and 2008 have been created:

H6: Vietnamese FDI inflows is positively associated with the business freedom level
H7: Vietnamese FDI inflows are positively associated with the monetary freedom level.

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H8: Vietnamese FDI inflows are positively associated with the trade freedom level.
H9: Liberalization of Vietnamese FDI policies in 2006 increased Vietnamese FDI inflows.
H10: Global economic crisis in 2008 reduced Vietnamese FDI inflows.

Legal System

Foreign investors are subject to the laws of the host country in which their businesses operate. Legal systems specify the "Dos and Don'ts"; hence, they are the cornerstone of formal institutional settings (Peng & Myer, 2011). One of the fundamental economic functions of a legal system is to protect property rights which are the legal rights to use an economic property (resource) and to derive income and benefits from its utilization (North, 1991). Thus, property rights provide the basic economic incentive system shaping resource allocation and principally can be defined by formal arrangements or informal conventions concerning the allocations and uses of property (Peng & Myer, 2011). Even though the term property traditionally refers to tangible pieces of property such as lands, home, office, and factories, intellectual property (IP) specifically refers to intangible property that results from intellectual activity such as writing, creating, and inventing, involving intellectual property rights (IPRs) associated with patents rights, copyrights, and trademarks rights (Peng & Myer, 2011). It is argued that developing countries cannot attract high-quality foreign investment if they do not have effective IPR protection (Vietnam-US Embassy, 2013).

It is easy to understand that no leading firms would like to develop manufacturing, research, operations in a country where IPRs could be freely pirated without legal penalties. In Vietnam, there have been impressive improvements in legislation related to IPRs in recent years. Indeed, bilateral agreements on the protection of IPRs with several countries and areas such as the European Union (EU), Switzerland, and the USA have been signed, and Vietnam has also committed to most obligations by the WTO TRIPS agreement. In recent years, a number of laws, decrees, and directives to establish a legal framework and measures for IPRs in the country have been issued such as IPR and civil violations governed under the Civil Code and new laws on IPRs passed in 2005 that became effective in 2006 (Vietnam-US trade, 2008). Therefore, our hypothesis for testing is:

H11: Vietnamese FDI inflows are positively associated with effective property rights.

Despite the fact that it would be expected that informal institutional constructs such as corruption are prone to work against the foreign investors, some authors argue that foreign investors might use the underdevelopment of local informal institutions as an advantage (Meyer & Nguyen, 2005). In fact, Lou (2001) argues that the relations between MNEs and governments should be seen as potentially cooperative and exerting a positive influence on subsidiary performance. Egger and Winner (2005) researched a sample of 73 developed and less-developed countries from 1995 to 1999 and found that corruption and inward FDI are positively associated with each other. Nonetheless, traditionally corruption is presumed to directly impact the cost function of MNEs, thus suggesting a negative association between corruption and inbound foreign investments. Here, a hypothesis is proposed:

H12: Vietnamese FDI inflows are positively associated with freedom from corruption.

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METHODOLOGY

The deductive approach is used in this study providing the concepts and theories from previous literature, formulating hypotheses from selected concepts, and testing the truth by empirical observation of dataset (Cooper & Schindler, 2003). Hence, this refers to a general to specific method in which scientific principles are relied upon with the practice of quantitative data and a stance of positivism philosophy (Saunders et al., 2012). Our focus is to examine the FDI locational determinants in Vietnam by testing the hypotheses and building a regression model with the application of academic literature. Therefore, an experiment strategy is adopted in this study with a corresponding three-step plan -defining the research issues, constructing hypotheses and performing regression models (McBurney, 2003). The obtained data is all numerical data available in public domain - FDI inflows value (UNCTAD), GDP and GDP growth (World Bank), the inflation rate (IMF), labor costs (GSO), human capital measured by numbers of university and college graduates (GSO), the political risk index (World Bank), and related economic indexes, property rights index and freedom from corruption index (Hermitage Foundation).

According to Quinlan (2011), secondary data is conducted and written from primary sources by other scholars or organizations, and there are several advantages that motivate researchers to utilize secondary data analysis. First, secondary data is quite reliable, of higher quality, and contain a larger sample which is gathered by public organizations such as the General statistic offices of Government or the World Bank. Second, secondary data is available in continuous time-series which is appropriate for the application of a statistical test. Furthermore, most research on FDI determinants of developing countries are also examined based on secondary data such as Fung et al. (2000), Noorbakssh et al. (2001), Hasen and Gianluigi (2009), Nasser and Gomez (2009), and Hussain and Kimuli (2012).

The sampling procedure is regarded as the manner in whbich researchers select data to implement their study to make the study more practical in terms of handling the study's issue (Bryman & Bell, 2011). Hence, a full set of time series data for the years 1995 to 2011 under investigation is selected. As mentioned earlier, this period witnessed the wax and wane in the country's economy with the accession to the WTO in 2007 and the global financial crisis in 2008. FDI policies and economic and political systems in the country also experienced rapid and significant changes during this time. The secondary data is analyzed to investigate Vietnamese locational factors helping to attract FDI inflows so as to reach the final conclusion of the most FDI dominant locational factors and, hence, add appropriate policies to further attract FDI into Vietnam. To investigate the FDI locational determinants in Vietnam, the time series of 17 years over the period of 1995 and 2011 have been analyzed. This approach is inspired by the study of Buckley *et al*. (2007) about the determinants of Chinese outward FDIs, of Kok and Ersoy (2009) about FDI determinants in 24 developing countries, of Eggar and Winner (2005) regarding the relationship between corruption and inward FDI, and of Globerman and Shapiro (2002) about the importance of governance and infrastructure factors. The data analysis process contains 3 steps:

Step 1: Constructing Hypotheses in Operational Terms

Bell and Bryman (2012) clearly highlight that the nature of quantitative research is often driven by hypotheses as presenting hypotheses is a highly specific form of research questioning. The purpose of this step is to construct the 12 hypotheses in operational terms with variables' proxy, variables in operational terms, and clearly expected signs between dependent variable and independent variables, theoretical justification for hypotheses and data source. The hypothesis reflecting the belief of there is no relation-

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ship between two variables is called the null hypothesis (H_o). The alternative hypothesis represented by H_1 reflects the potential outcomes of this research and, in this case, reflects the relationship between FDI and locational-specific advantage factors. The following null and alternative hypotheses will be tested related to the population correlation coefficient ρ:

The Null Hypothesis H_o: $\rho = 0$ (No linear association between FDI and each of the locational-specific advantage factors)

The Alternative Hypothesis H_1: $\rho \neq 0$ (a correlation exists between FDI and each of the locational-specific advantage factors).

Step 2: Testing the Hypotheses

The second step tests the hypotheses to examine the relationship between the dependent variable and independent variables, and to provide a foundation for further examination between these variables in the following step. In the simplest terms, dependent variable can be considered as a phenomenon which needs to be explained, and independent variable(s) are variables that can explain the phenomenon (Norris, Qureshi, Howitt, & Cramer, 2012). Therefore, independent variables can be called explanatory variables (Acton, Miller, Fullerton, & Maltby, 2009). Since the main purpose of this study is to determine the locational factors that attract FDI inflows to Vietnam and to discover the most significant factors in the period, the findings will indicate not only the relationship between FDI and the locational factors, but also the strength of the relationship. Hence, Pearson's product moment correlation coefficient (PMCC) is employed to determine the strength, direction, and statistical significance of the association between two quantitative variables (Robson *et al.*, 2012), in this case it is between FDI and each of the locational factors.

The correlation coefficient is measured by "r" value, which lies between -1 and +1 inclusive, thus indicating the direction of the relationship as negative or positive (Hair at al., 2006). A value of -1 specifies a perfect negative relationship, meaning as one variable increases in value, the other decreases. In contrast, a value of +1 represents a perfect positive relationship, which indicates that an increase in value of one variable results in an increase of the other. However, the coefficient of determination (c.o.d or r^2 = (correlation)^2) has been used to assess the strength of the relationship between a numerical dependent variable and one or more numerical independent variables by indicating the percentage variation in the dependent variable (FDI inflows) that can be explained by variation in one or more independent variables (locational-specific advantage factors).

The r^2 can be measured on a scale between 0% (random) and 100% (perfect positive or negative association – independent variables can perfectly explain dependent variables) (Robson et al., 2012). To ensure the dependent variable being considered is the FDI inflows value and independent variables are locational-specific advantage factors, but not the other way around when implementing commands in the SPSS software, both r and r^2 will be directly extracted from the outputs of simple regression models from the SPSS analysis which relates to FDI inflows value with each of the locational factors. By constructing these simple regression models, it can also help to predict the FDI inflows based on each individual independent variable. The model has the highest r^2 can be used to best predict the value of FDI inflows to the country. The simple regression model is presented as below (Acton et al., 2009):

$$Y = \alpha + \beta x + \varepsilon \quad (1)$$

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where:

Y = Dependent variable.
X = Independent variables.
α = y – intercept.
β = Slope or gradient.
ε = Error term.

The equation (1) can be changed into natural logarithm form due to the differences in units of variables:

$$Ln(Y) = \alpha + \beta\, Ln(X) + \varepsilon \quad (2)$$

Step 3: Establishing a Multiple Regression Model

To predict the value of FDI inflows from multi locational factors after examining the relationship between FDI inflows and locational factors in step 2, a multiple regression model is established. Robson et al. (2012) regarded regression analysis as the extent of the correlation analysis by constructing a statistical model that can be used to describe and predict values of a dependent variable in terms of one or more independent variable(s). By doing so, it provides us with a tool for prediction, as well as to understand how these independent variables are combined to predict the dependent variable of interest. In this case, the dependent variable is FDI value and the independent variables are location-specific advantage factors. A multiple regression model is created as there is more than one independent variable being considered.

Multiple regression and correlation basically determine the best predictor of dependent variable, in this case the FDI value, then the next best predictor, and so forth. They also indicate how much weight to give to each predictor to yield the best prediction or correlation (this indicator is the slope β – showed in equation 3 below). However, it is worth noting that the chosen independent variables cannot have a strong relationship with each other, thus implying they cannot be highly correlated linearly with each other. In statistical terms, this phenomenon is regarded as the Multicollinearity problem which could affect the significance of variables. Thus, a higher value of Multicollinearity would result in higher standard errors and therefore lead to inappropriateness of the multiple regressions model determined (Norris *et al*., 2012).

Hair et al. (2006) also affirm that when the intercorrelations between the independent variables are very high as 0.9 or above, then the dangers of Multicollinearity are also considered high. Other common measures for Multicollinearity include the tolerance value and its inverse – the variance inflation factor (VIF). Hair et al. (2006) recommend that a very small tolerance value (0.1 or below) or a large VIF value (10 or above) indicates high collinearity. Another problem can affect the result of multiple regression model is missing value (Norris *et al*., 2012). Nonetheless, in the data collection process, the period from 1995 to 2011 was carefully chosen to ensure that all variables' data can be fully collected; therefore, the authors rejected variables having so many missing values and only selected ones having sufficient data for the examined period.

The multiple regression model is presented as below (Acton et al., 2009):

$$Y = \alpha + \beta 1\ x1 + \beta 2\ x2 + \beta 3\ x3 + \ldots + \beta n\ xn + \varepsilon \quad (3)$$

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where:

Y = Dependent variable.
x1, x2, x3… xn = Independent variables.
α = y – intercept.
β = Slope or gradient.
ε = Error term.

Based on the hypotheses proposed and the application of the model (3) above, an estimated multiple regression model for this study can be obtained is:

$$FDI = \alpha + \beta 1\ GDPG + \beta 2\ GDP_percapita + \beta 3\ Inflation + \beta 4\ Monthly_income + \beta 5\ Human_capital + \beta 6\ Political_risk + \beta 7 Business_freedom + \beta 8\ Monetary_freedom + \beta 9\ Trade_freedom + \beta 10 TD2006 + \beta 11 TD2008 + \beta 12\ Property_rights + \beta 13\ Freedom_corruption + \varepsilon \quad (4)$$

However, because all variables have different units such as percentage, dollars, millions of dollars, and indexes, the data was transformed into natural logarithms form as a way of standard processing. Moreover, a natural logarithm model allows a linear model to be devised by avoiding violating the assumption of linearity (Robson et al., 2012), but still be able to preserve the idea of non-linearity (Menard, 1995). A natural logarithms model for this study is presented as follows:

$$LnFDI = \alpha + \beta 1\ LnGDPG + \beta 2\ LnGDP_percapita + \beta 3\ LnInflation + \beta 4 LnMonthly_income + \beta 5\ LnHuman_capital + \beta 6\ LnPolitical_risk + \beta 7\ LnBusiness_freedom + \beta 8\ LnMonetary_freedom + \beta 9\ LnTrade_freedom + \beta 10\ LnTD2006 + \beta 11\ LnTD2008 + \beta 12\ LnProperty_rights + \beta 13\ LnFreedom_corruption + \varepsilon \quad (5)$$

With this linear model, the ordinary least square method will be used to analyze and enable the authors to estimate the impacts of one or more independent variables on FDI. The dependent variable in this case is LnFDI and the independent variables are LnGDP, LnGD_Percapita, etc. The analysis is supported by the SPSS statistical software which is one of the most powerful statistical packages that can perform highly complex data manipulations and provide facilities to analyze and display information using a variety of techniques (Norris et al., 2012). The software can provide data descriptive analyses, regression models and other sophisticated data analyses which are widely used in many fields including financial analysis, sales forecasting, macroeconomic prediction, data analysis, and evaluation (Acton et al., 2009).

RESEARCH FINDINGS

Sparrow (1989) emphasizes that depending on research objectives, different key aspects can be considered to begin a data analysis. Accordingly, prior to implementing econometric analysis to examine the locational factors attracting FDI inflows, an exploratory data analysis about the association between FDI and locational factors will be demonstrated by the following figures to provide a broad picture about variables. All variables are transformed into natural logarithm form due to the unit differences. The variables are treated endogenously and symmetrically to show the possibility that location-specific

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advantage factors influence FDI inflows. In this section, the association between FDI and traditional factors will be demonstrated by the following scattergrams on the relationship between FDI and traditional factors as well as institutional factors from 1995 to 2011.

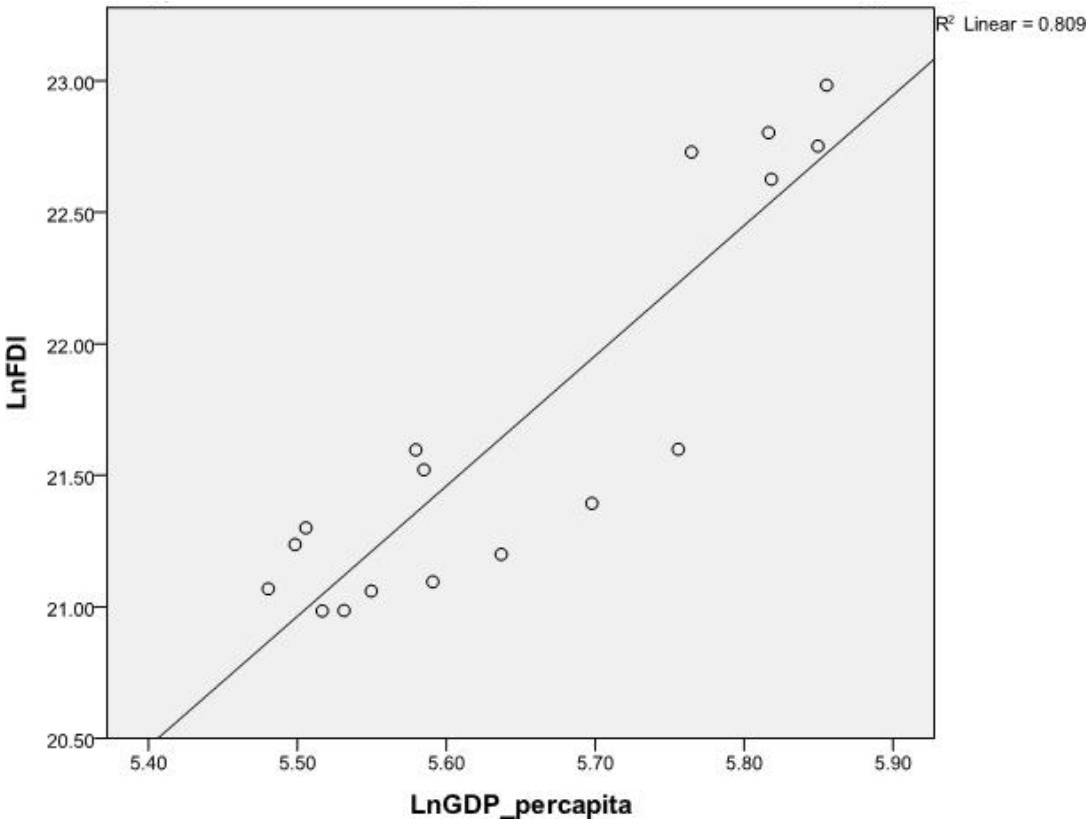
Market Seeking FDIs

Given the clear linear pattern of the points and their upward direction in Figure 1, there seems to be a very strong, positive linear association existing between FDI and GDP per capita. This indicates that the greater GDP per capita, the higher the FDI inflows to Vietnam.

Host Inflation Rate

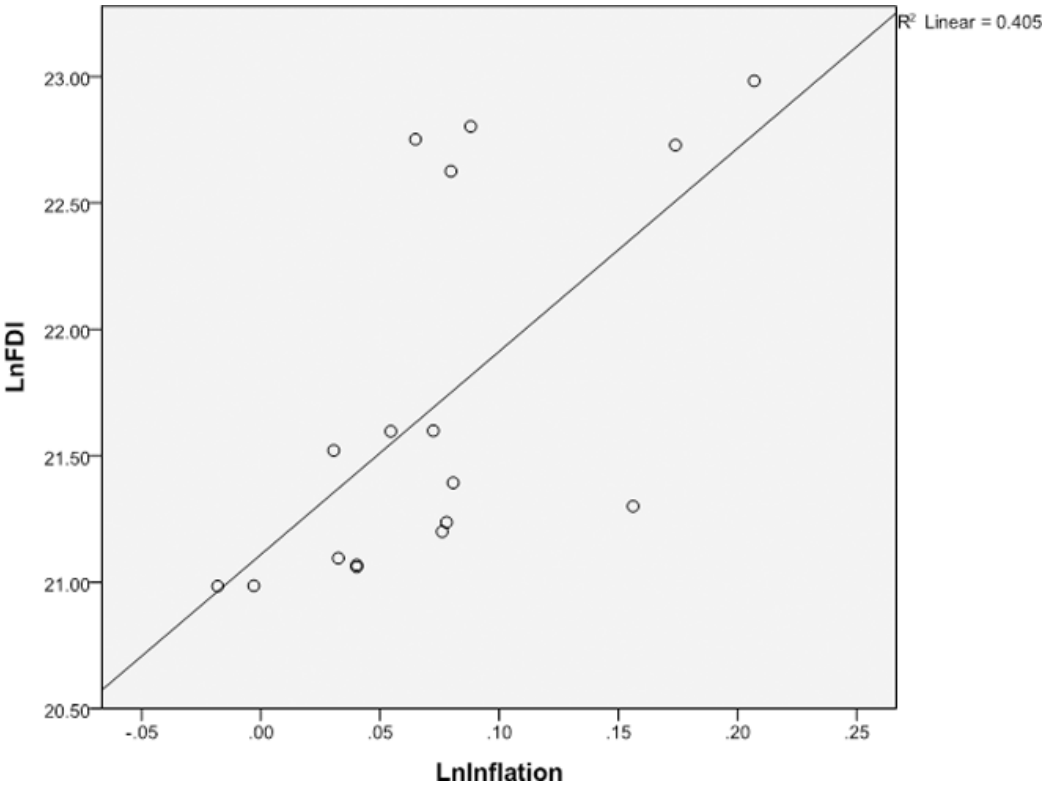
From Figure 2, a recognizable straight line or linear pattern appearing in the points can be identified in the examined period. Nonetheless, given the appearance of some outliers, there seems to be only a moderate positive association between FDI inflows and the host inflation rate.

Figure 1. Scattergram on the relationship between LnFDI and LnGDP_percapita



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Figure 2. Scattergram on the relationship between LnFDI and LnInflation



Labor Cost and Quality of Human Capital

The left-hand side of Figure 3 demonstrates a clear evidence of a strong linear relationship between FDI inflows and Vietnamese labor cost (proxy by monthly income) with a recognizable straight-line pattern and an upward direction of the points. This indicates that the higher the labor cost, the higher the FDI inflows into Vietnam. In comparison, the right-hand side of the figure shows that although a linear pattern can be identified, there seems to be only a moderate positive relationship between FDI inflows and the host country quality of human capital with the existence of several outliners. In this section, the association between FDI and institutional factors will be demonstrated by the following figures.

Political Systems

Figure 4 shows there appears to be a weak relationship between FDI inflows and Vietnamese political risk due to the spread of the points and the existence of some outliers.

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Figure 3.

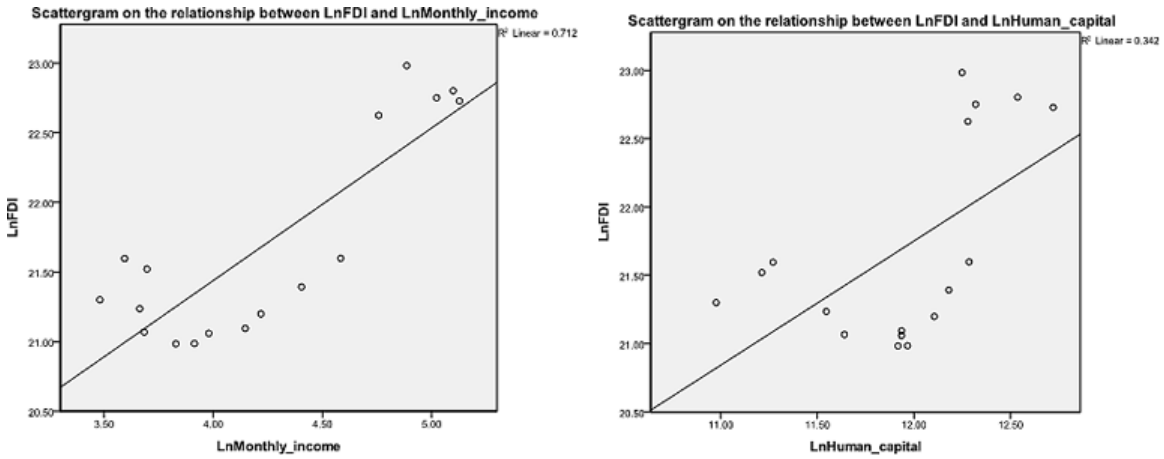
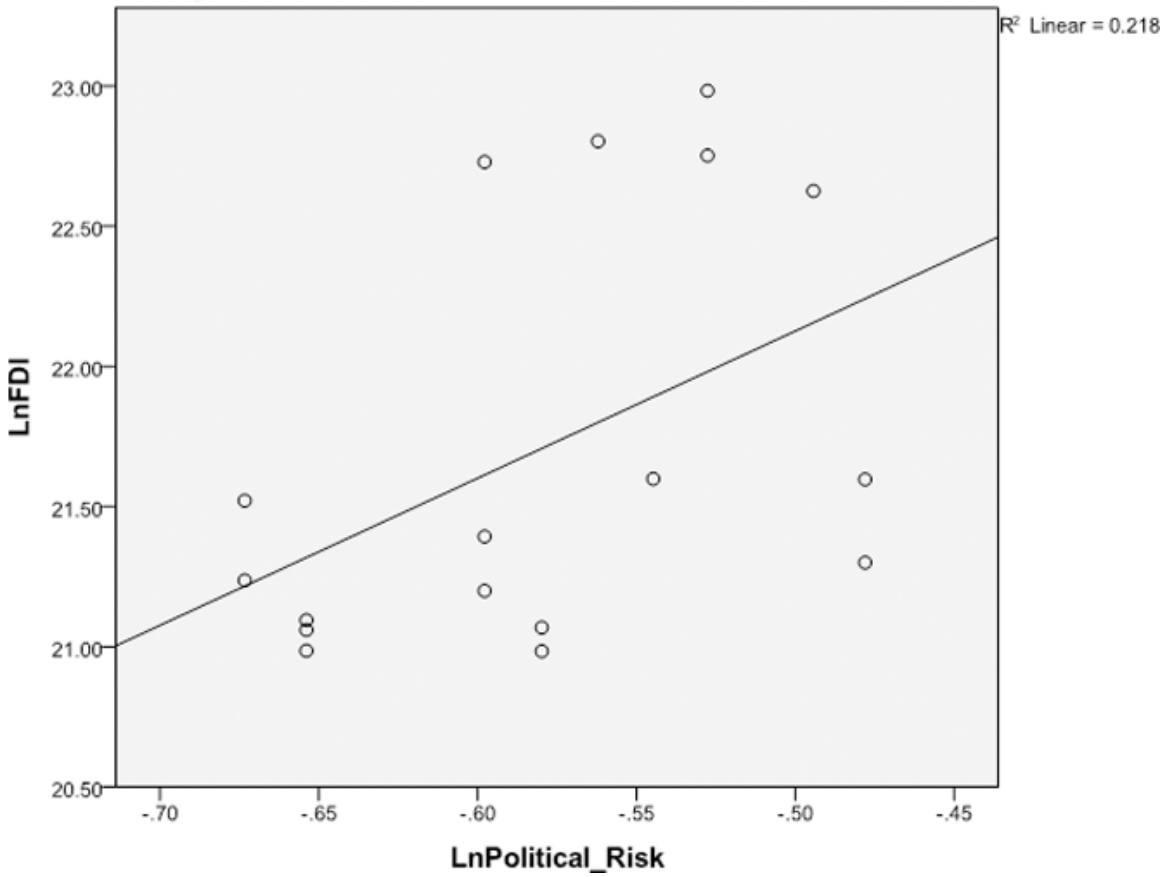


Figure 4. Sacattergram on the relationship between LnFDI and LnPolitical_risk

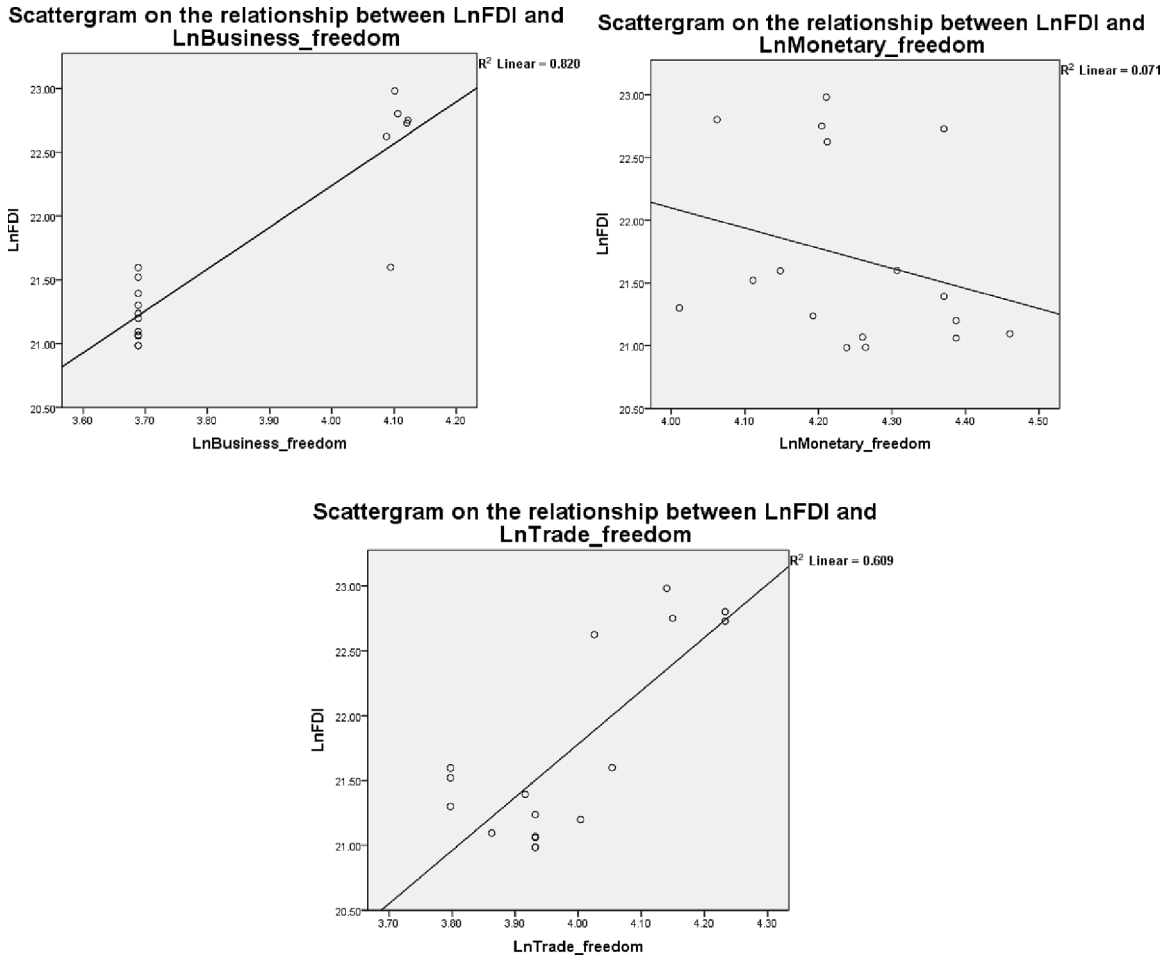


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Economic Systems

The top section of Figure 5 depicts a relationship between FDI and business freedom level. Although the points seem to be gathered at the LnBusiness_freedom level of 3.7, they then tend to increase as the LnBusiness_freedom level increases; therefore it shows a strong positive association between these two variables in Vietnam. However, with the wide spread of the points on the middle section of figure, there seems to be a very weak positive association between FDI inflows and monetary freedom level in the country. In contrast, the bottom section of the figure shows an evidence of a strong positive association between FDI inflows and the trade freedom level of the host country with an upward direction and a linear pattern appearing in the points.

Figure 5.



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Legal Systems

Figure 6 shows that while FDI inflows seem to be affected by property rights at a moderate level due to the unchanged value of this independent variable through time excepting for only two outliers, the concentration of the points into different groups on the bottom section of the figure indicate there seems to be a very weak association between FDI inflows and the freedom from corruption in Vietnam. These findings from this section will be supported by the output of correlation analysis in the next section.

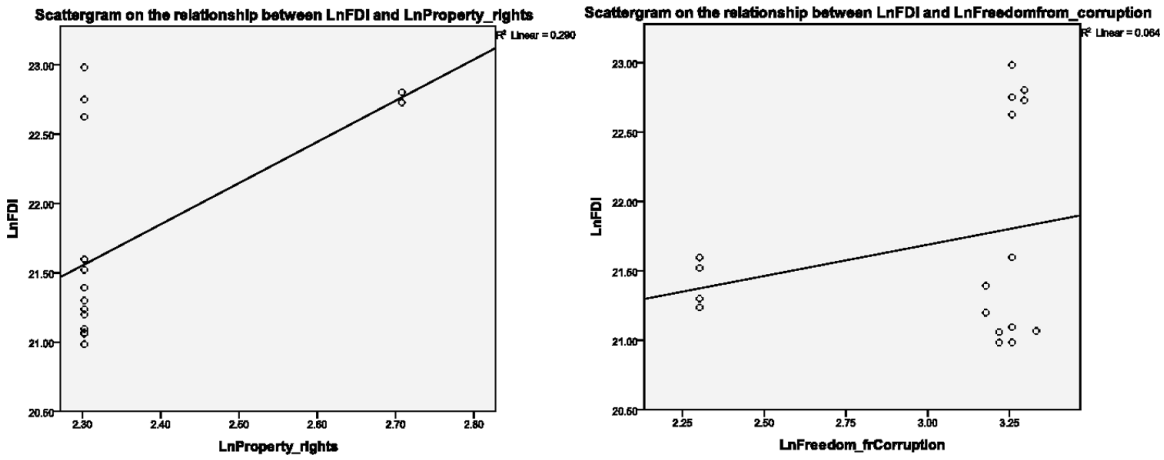
Data Analysis

After step 1 in the data analysis framework in the methodology part of constructing 12 hypotheses in operational terms, this section responses to step 2 by using statistical techniques to test these 12 hypotheses. All the tests are implemented at 95% confidence level or, in other words, the significant level is used at 0.05 (5%).

1. **Testing the Relationship between FDI Inflows and Traditional Factors:** This part will show the results from testing the relationship between FDI and each of the four traditional location factors (market size, inflation, labor cost, and quality of human capital). The outputs of correlation analysis and correlation coefficient (r^2) of the association between FDI inflows and traditional factors are shown in Table 1.

The result shows that all four traditional factors which are market seeking FDI factor – market size (GDP_per capita), the host inflation rates (Inflation), labor cost (Monthly_income), and quality of human capital (Human_capital) are all statistically significant and have strong association with FDI inflows to Vietnam. Market seeking FDI factor and educated human capital are correctly signed, which in turn support hypotheses H1 and H4. However, the host inflation rates and labor cost are found to be significant but with opposite signs to expectation as predicted in hypothesis H2 and H3, respectively. GDP per

Figure 6.



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capita has the strongest association with FDI inflows with r=0.899, the second strongest association is labor cost factor with r=0.844, followed by inflation with r=0.636, and human capital with r= 0.585.

Table 1 shows that the correlation between FDI and GDP per capita is $r_1 = 0.899$ (very close to 1) with significant value of 0.01 (as noted by ** in the table). Moreover, sig-value = 0.000 < 0.01 (significant level at 1% overrides 5% since we are 99% sure that we make a correct decision); hence, H_0 is rejected at the 1% significant level implying that ρ is statistically significant different to zero. That means the association between FDI inflows and GDP per capita is very strong, positive, and statistically significant. The association here is that the greater the GDP per capita, the greater the FDI inflows to Vietnam. Additionally, $R_1^2 = 0.808$ implies that when constructing a simple regression model to predict the value of FDI inflows based on GDP per capita, an 80.8% variation in FDI inflows can be explained by variation in GDP per capita. In detail, the model is:

LnFDI = -6.272 + 4.952 LnGDP_percapita

The value α, the y-intercept or in this case is LnFDI-intercept α= -6.272 indicating that if LnGDP_percapita was equal to 0, the value of LnFDI inflows = -6.272. The value of β is the slope of the regression line, β= 4.952 indicating that for every additional increase in terms of the value of LnGDP_percapita *ceteris paribus,* it would be expected the value of LnFDI would increase by 4.27. Table 1 also shows that correlation between FDI and the host inflation rate is $r_2 = 0.636$ with sig-value = 0.006 < 0.01; thus, H_0 is rejected at the 1% significant level. It reflects that the association between the host inflation rate and FDI inflows to Vietnam is positive, statistically significant, albeit at a moderate level. That implies that even when the host inflation rate increases, the FDI inflows to Vietnam still grow. In addition, $R_2^2 = 0.405$ indicates that only 40.5% variation in FDI inflows can be explained by the host inflation rate as indicated by the following model:

LnFDI = 21.109 + 8.034 LnInflation

In comparison, the correlations between FDI and labor cost and between FDI and quality of human capital are $r_3 = 0.844$ and $r_4 = 0.585$, respectively. The sig-value of r_3 and r_4 are 0.000 and 0.014, in turn, which are all greater than 0.05; hence, H_0 is rejected in both cases at the 5% significant level. Therefore, there is adequate evidence to conclude that while there is a strong, positive association between FDI inflows and labor cost implying that the higher the labor cost, the greater FDI inflows to Vietnam, the association between FDI and quality of human capital is positive, but at a more moderate level. However,

Table 1. FDI and traditional factors linear relation results

1995-2011		LnGDP_ Percapita	LnInflation	LnMonthly _Income	LnHuman_ CAPITAL
LnFDI	**Pearson Correlation (r)**	.899**	.636**	.844**	.585*
	R^2	0.808	0.405	0.712	0.342
	Sig. value (2-tailed)	.000	.006	.000	.014

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

*. Correlation is significant at the 0.05 level (2-tailed).

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the results are both statistically significant. These results indicate that although labor costs increase, the FDI inflows to Vietnam still increase during the period. In addition, $r_3^2 = 0.712$ indicates that 71.2% the variation in FDI inflows can be explained by labor costs as indicated by the model:

LnFDI = 17.055 + 1.096 LnMonthly_income

$r_4^2 = 0.342$ showing that there is only 34.2% quality of human capital variable can explain FDI inflows with the estimated model:

LnFDI = 10.852 + 0.908 LnHuman_capital

2. **Testing the Relationship between FDI Inflows and Institutional Factors:** This part will show and discuss the results from testing relationship between FDI and each of the eight institutional factors (political risk, business freedom level, monetary freedom level, trade freedom level, impact of the WTO accession in 2006, and the global economic crisis 2008) in FDI inflows to Vietnam. The outputs of correlation analysis and correlation coefficient (r^2) of the association between FDI inflows and institutional factors are shown in Table 2.

The results have also indicated that two factors of economic systems which are business freedom and trade freedom level and the effectiveness of the host country property rights under the legal systems are statistically significant and correctly signed. These findings support hypotheses H6, H8, and H11. In contrast, political risk, monetary freedom level, impact of Vietnamese WTO accession in 2006 and the global financial crisis in 2008, and freedom from corruption level are all insignificant. Hence, hypotheses H5, H7, H9, H10, and H12 are not supported. This might suggest these five factors may not be important locational determinants in this case. Among three significant institutional factors, Business freedom level shows the strongest association with FDI inflows (R=0.905), followed by Trade freedom level (R=0.781) and Property rights (R=0.538).

Table 2. FDI and institutional factors linear relation results

1995-2011		Political Systems	Legal Systems	
		LnPolitical _Risk	Property_Rights	Freedom_ Corruption
LnFDI	Pearson Correlation (r)	.466	.538*	.253
	R^2	0.217	0.289	0.064
	Sig. value (2-tailed)	.059	.026	.328

1995-2011		Economic systems				
		LnBusiness _Freedom	LnMonetary _Freedom	LnTrade_ Freedom	TD2006	TD2008
LnFDI	Pearson Correlation (r)	.905**	-.267	.781**	-.036	.444
	R^2	0.819	0.071	0.610	0.0013	0.197
	Sig. value (2-tailed)	.000	.301	.000	.892	.074

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In particular, according to Table 2 the correlation between FDI inflows and political risk, monetary freedom level, Time Dummy 2006, Time Dummy 2008, and freedom from corruption level are $r_5 = 0.466$ (sig-value = 0.059), $r_7 = -0.267$ (sig-value = 0.301), $r_9 = -0.036$ (sig-value = 0.892), $r_{10} = 0.444$ (sig-value = 0.074), and $r_{12} = 0.253$ (sig-value = 0.328). It is clear to see that all the sig-value of these correlations are greater than 0.05, indicating that H_0 in these cases are all accepted. That means there is sufficient evidence to conclude there is no significant association existing between FDI inflows to Vietnam and its political risks or monetary freedom level, the accession of Vietnam to WTO in 2006, the impact of the 2008 global economic crisis, or its freedom from corruption level. On the other hand, the correlation between FDI inflows and Business freedom level and between FDI inflows and Trade freedom level are $r_6 = 0.905$ (very close to 1) and $r_8 = 0.781$, respectively.

Additionally, sig-value in both cases = 0.000 < 0.01, thus in both cases H_0 is rejected at the 1% significance level implying that ρ is statistically significant different to zero. That means there is sufficient evidence to conclude there is a very strong, positive and statistically significant association between FDI inflows and Business freedom level, and between FDI inflows and Trade freedom level. The association here is that the greater the Business freedom level, the greater the FDI inflows to Vietnam, and the greater the Trade freedom level, the greater the FDI inflows into Vietnam. Furthermore, $r_6^2 = 0.819$ implying that the 81.9% variation in FDI inflows can be explained by variation in Business freedom level estimated by the following model:

LnFDI = 9.117 + 3.281 LnBusiness_freedom

$r_8^2 = 0.61$ indicating that there is 61% variation in FDI inflows can be explained by variation in Trade business freedom level, estimated by the model:

LnFDI = 5.335 + 4.112 LnTrade_freedom

Table 2 also clarifies correlation between FDI inflows and the effectiveness of the host country property rights is $r_{11} = 0.538$; however, $r_{11}^2 = 0.289$ implying that there is only 28.9% variation in FDI inflows can be explained by variation in the property rights variable based on the following model:

LnFDI = 14.712 + 2.974 LnProperty_rights

Additionally, sig-value = 0.026 < 0.05; thus, H_0 is rejected at the 5% significance level implying that ρ is statistically significant different to zero. Therefore, it is sufficient to conclude that there is a positive, statistically significant, but at a moderate level of association between FDI inflows and the effectiveness of the host country property rights. The association here is that the greater the effectiveness of the host country property rights, the greater the FDI inflows into Vietnam.

Multiple Regression Model

After accomplishing step 2 in the data analysis framework of testing hypotheses to determine the locational determinants of FDI inflows to Vietnam and to recognize the most significant factors so as to achieve the objective 2 of this research, the authors take a further step to predict the value of FDI inflows from multi locational factors with the establishment of a multiple regression model. An estimated natural

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logarithm model in this study as shown earlier in the framework for data analysis section takes the form of Equation (3):

$$\text{LnFDI} = \alpha + \beta_1 \text{ LnGDP_percapita} + \beta_2 \text{ LnInflation} + \beta_3 \text{ LnMonthly_income} + \beta_4 \text{ LnHuman_capital} + \beta_5 \text{ LnPolitical_risk} + \beta_6 \text{ LnBusiness_freedom} + \beta_7 \text{ LnMonetary_freedom} + \beta_8 \text{ LnTrade_freedom} + \beta_9 \text{ LnTD2007} + \beta_{10} \text{ LnTD2009} + \beta_{11} \text{ LnProperty_rights} + \beta_{12} \text{ LnFreedom_corruption} + \varepsilon$$

Assuming that $\varepsilon = 0$

From the results in the hypotheses testing section, it is concluded that seven factors including GDP per capita, the host inflation rate, labor cost, human capital, business freedom level, trade freedom level, and the effectiveness of property rights all have a strong association with FDI inflows to Vietnam at a significant level of 5% or 1%. Therefore, only these variables are processed in the multiple regression model. The regression result is shown in the Table 3.

Thus, Table 3 shows that sig-value of the seven factors are all greater than 0.05, indicating that the combination of these factors with the attempt of predicting FDI inflows cannot fit within a model. Norris et al. (2012) indicate the Multicollinearity problem can contribute to the insignificance of variables as a higher value of Multicollinearity would result in higher standard errors and, therefore, leads to inappropriateness of the multiple regression model determined. Indeed, VIF and tolerance in the table indicate that variables considered have a potential collinearity apart from the inflation factor. It is reasonable as the variables collected are macroeconomic factors which reflect the host country's economy, political, and legal systems and generally accompany each other. Therefore, predicting the value of FDI inflows can be based upon the simple regression model, especially the models between FDI and business freedom, GDP per capita or monthly income as they have very high r^2.

DISCUSSION AND EVALUATION OF FINDINGS

Among the seven significant locational factors that have been identified in the previous section to explain the FDI inflows to Vietnam, Business freedom level appears to have the strongest association with FDI inflows to Vietnam with r=0.905, closely followed by market size factor (r=0.899), and labor cost factor (r=0.844). Trade freedom level is in the fourth position with r=0.781, followed by the quality of human capital (r=0.585), and the effectiveness of property rights (r=0.538).

Table 3. A summary of the natural logarithm model's result

Model	β	Sig-Value	Collinearity Statistics	
			Tolerance	VIF
LnGDP_percapita	3.403	0.244	0.027	36.918
LnInflation	0.387	0.795	0.509	1.965
LnMonthly_income	0.407	0.711	0.010	100.664
LnHuman_capital	-1.046	0.109	0.046	21.584
LnTrade_freedom	1.923	0.266	0.070	14.253
LnBusiness_freedom	0.522	0.604	0.093	10.782
LnProperty_rights	0.808	0.324	0.339	2.946

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The Relationship between FDI Inflows and Traditional Factors

In terms of market size factor, the result shows it is evident this factor is a significant determinant of FDI inflows to Vietnam, thus indicating a very strong association between these two variables. This is a conventional result which states that a considerable part of the FDI inflows to Vietnam is of a market seeking type. This result is supported by the extant literature and is consistent with previous empirical studies as discussed earlier showing the host market characteristics (e.g., market size) are significant determinants of FDI flows in many developing economies (UNCTAD, 1998). The enlargement in size of the market results in the increase of opportunities for investors regarding the resources' efficient utilization and exploitation of economies of scale and scope via FDI (Moosa, 2002). Specifically, the growing economy presents a potential opportunity for specialization of the factors of production and could lead to the achievement of cost minimization as one of the most wanted factors of foreign investors engaging in cross-border activities (Willmore, 1976).

The existence of a rapidly growing economy may also facilitate static and dynamic economies of scale that highly correlate with a growth in demand (Patibandla, 2001). Therefore, the results in this study support the theory that a potential and promising market like Vietnam with a considerable consumer demand and the fast pace of economic growth and development with cheap labor cost as well as labor-surplus would present more opportunities for creating profits than those economies with slower growth rates (Deng, 2004). Thus, it can be concluded the market size is a significant factor for the Vietnamese FDI inflows and should be promoted to attract more long-term investment capital from foreign MNEs in the future.

Although the hypothesis H3 is not supported, the findings indicate that the higher labor cost stimulate greater FDI inflows to Vietnam confirming the findings in the research by Yang, Groenwold, and Tcha (2000). Moreover, the extant literature suggests higher labor costs might be indicative of higher or growing quality of labor force (Moosa, 2002); thus, the negative relationship between low wages and FDI in this case does not hold. The human capital in Vietnam, which is measured by the number of graduates from public universities and colleges, shows an obvious upward trend in the researched period with an impressive increase of 276,000 graduates from 58,500 candidates in 1995 to 334,500 candidates in 2011 (GSO, 2013). The increasing value of this variable is also found to be positively associated with the increasing value of FDI inflows to Vietnam despite being at a moderate level.

This implies the increasing quality of human capital in Vietnam might be indicative of the higher labor cost, and that despite of the increase in labor costs, MNEs still decided to make their foreign investment decisions in Vietnam. In support of this fact, Dossani and Kenny (2003) found a very interesting result in India that explains this circumstance by showing that while foreign investors were initially attracted to the country's low cost factor, the increasing quality of the workforce facilitated retention and expansion of the scales. Hence, along with maintaining a competitive labor cost, improving the quality of human capital is necessary for Vietnam to attract more foreign investments in the future and to boost economic development. Furthermore, as mentioned previously in this chapter, Vietnam possesses a locational advantage of having cheap labor costs compared to other countries in the region. Hence, the minimal increase in labor costs in Vietnam should not affect the investment decisions by MNEs since the country has still considerable cost advantage in comparison with other destinations.

Compared to other emerging countries in Asia such as China, Indonesia, Laos, Malaysia, Mongolia, Nepal, Philippines, Thailand, and Sri Lanka, Vietnam has a competitively cheaper labor cost of only US$1,000 per year on the criteria of average annual minimum wage. This number is approximately 80%

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cheaper than that of Malaysia, over 33% cheaper than the average minimum annual salary in China, and more than 5% cheaper than the annual average salary in Laos. Thus, this comparatively cheap labor cost in Vietnam may shape the investment decisions of MNEs to the country regardless the increase in the cost.

The coefficient of inflation is statistically significant and positive which is contrary to the expectation of H2. Such a relationship may suggest that the moderate demand inflation in Vietnam makes it more attractive to foreign investors. It would be reasonable for this association to exist between the variables if assuming that moderate demand inflation accompanies economic growth (Buckley et al., 2007). It might also support the view that the foreign investment decisions of MNEs in Vietnam are unusually tolerant of the lower stability in the country regarding changing local economic conditions. This is contrary to the normal behavior of firms from profit maximizing industrialized countries, and again suggests that MNEs may be strongly attracted by other host country's location-specific advantage factors.

The Relationship between FDI Inflows and Institutional Factors

Results from the level of business freedom indicate this factor is a significant determinant of FDI inflows into Vietnam, thus demonstrating a very strong positive association between the variables. This is an interesting result as it is a new factor regarding formal institutional precepts and so contributes to the existing literature discussed earlier. Thus, a country with growing business freedom level indicates the increase of efficiency of government regulations for business operation and as result contributes to the increase of FDI inflows. In fact, Vietnam is changing itself towards a market-oriented economy with a bureaucratic, but entrepreneurial business environment (von Glinow & Clarke, 1995); hence, it is improving its political, economic, and legal systems.

The alterations in laws and regulations are now set to be equally essential to investors, embracing the creation of procedures for granting investment licenses and regulations regarding land lease, recruitment, salaries and taxation (van Arkadie & Mallon, 2003), and also to provide more support to private enterprises since 1999 (Tenev et al., 2003). Hence, although the political, economic and legal systems are not yet fully modernized, the country clearly shows a great effort in reforms which increases its attractiveness for MNEs as a potential investment destination. Vietnam is developing towards a strong market economy which is favored by many developed economies to liberalize FDI regulations (Peng & Myer, 2011; UNCTAD, 1997). Thus, not only is the business freedom level a significant locational determinant, the increase of the trade freedom level and the effectiveness of property rights in Vietnam are found to help to attract more FDI inflows to the host country as supported by the findings.

This again contributes to the extant literature that a country with the growing trade freedom level is attributed to the increase of FDI inflows. Additionally, it also proves the existing literature in terms of the host country property rights that the greater the effectiveness of the host country's property rights, the higher FDI inflows to the country (Van Arkadie & Mallon, 2003). The increase in the effectiveness of property rights in Vietnam, in fact, is clearly shown in recent efforts by completing its related laws and participating in bilateral agreements on the protection of IPRs as discussed in the previous sections (Asian Coast Development, 2013). Furthermore, our findings indicate that political risk, monetary freedom level, and freedom from corruption tend to be insignificant factors for foreign investors. This implies that these explanatory variables do not affect the ultimate decisions of MNEs to invest in Vietnam and that the variables cannot be used to explain FDI inflows in Vietnam.

This runs counter to the normal findings regarding political risks and to the expected result regarding monetary freedom level as well as freedom from corruption level (Dunning & Lundan, 2008). This can

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be explained by continuing efforts and rigorous government dedication to improving the underdeveloped political, economic, and legal aspects in Vietnamese governance to make the country more institutionally favorable location for MNEs. Additionally, the majority of foreign investors in Vietnam originate from Asian neighboring countries, accounting for nearly 80% of the total number of projects (GSO, 2013). Thus, businesses from these countries as a group record higher levels of political risk and the MNEs from these countries may not consider the Vietnamese political risky environment as a main discouraging factor for their investment decisions (Buckley et al., 2007).

Finally, our findings also indicate that the Vietnamese WTO accession in 2006 and the global crisis in 2008 have no significant association with the variation of FDI inflows. This suggests that both events did not mark a significant change towards the volumes of FDI inflows. Indeed, IMF (2013) explains that, on average, MNEs in Asia are less exposed to a sustained growth slowdown risk as a consequence of the global financial crisis than MNEs in other regions. Hence, Vietnam may not strongly suffered from the crisis in comparison with developed countries in the West. Although Vietnam now is an official member of the WTO, its laws and regulations still require further modifications and harmonization with the more developed economies. Thus, perhaps the WTO accession in 2006 has not yet shown a big change in the volumes of FDI inflows to the country.

CONCLUSION

The growth of MNE activities in the form of FDIs has seen an impressive increase at a faster rate than most of other international transactions due to its compelling economic advantages. This leads to continuous substantial attention by international business literature to empirically examine the essential factors that drive FDI decisions of MNEs. However, given the fact that the determinants of location choice have been predominantly viewed through traditional theoretical lenses, the dominant factors in some emerging markets have not been sufficiently studied in the recent years by IB scholars. Additionally, locational factors which incorporate institutional context of the host country have been analysed in only a few studies. Therefore, this study provides a critical discussion about relevant fundamental theories, especially the OLI triad framework and extant institutional economic literature.

These theories are an important foundation for this research that provides an explicit analysis of the specific locational factors and how they make an impact on FDI inflows to the host country. The literature indicated a wide range of locational factors that can influence MNE investment decisions and also showed discrepancies among previous researches about the key factors capable of explaining a country's tendency to attract FDIs. The study on Vietnam takes an essential step in providing a greater insight into the debate on how locational factors influence MNEs' investment decision in developing countries with the observed data during the period 1995 to 2011.

Vietnam has now embarked on the globalization path with a very important stage of industrialization accompanied by economic development. The target of turning the country into an industrialized economy by 2020 could only be achieved if the economic growth is kept at a high rate and industrialization proceeds at a rapid pace. The need for long-term investments and the improvement of human capital quality are two essential pillars for this ambitious government plan. The result of this research suggests that economic institutional factors such as business freedom and trade freedom level together with the effectiveness of property rights have a very strong and positive association with FDI inflows. Moreover, although political risks, monetary freedom level, and freedom from corruption appear to be

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insignificant in our study, all of these formal institutional factors are crucial elements for the long-term economic development of the country (Chakrabarti, 2001; Buckley et al., 2007).

The above analysis also highlights that the malfunctioning of political, economic, and legal systems might attribute to this insignificance result. Moreover, the findings also suggest that the market size is a significant factor for Vietnam FDI inflows and it should be promoted to attract more of the investment capital from foreign partners in the future. The improvement of the political and economic stability and the amelioration of legal framework are very essential for the promotion of FDI inflows to Vietnam in the coming years. At least the following actions must be implemented. First, foreign investors should be treated equally to domestic companies in certain areas where Vietnamese companies unnecessary remain a privileged position. Second, the restrictions on the maximum foreign ownership stake should be discarded so as to permit more sectors to be open to FDI inflows.

The World Bank (2013) also suggests that Vietnam establish a National Committee for Trade Facilitation (NCTF) to build and implement a sound national action plan in accordance with the country's institutional capacity to enhance trade competitiveness of the country. This might involve the simplification of regulatory procedures to reduce time and cost, as well as improve the reliability of cross-border trade. Although Vietnam's Intellectual Property legislation saw improvements as a result of recent reforms and bilateral agreements and is regarded as comprehensive and in compliance with the international standards, the enforcement agencies have found it difficult to keep up with rapid changes in the law and administrative procedures (Intellectual Property Office, 2013). Moreover, while administrative action is the usual route for dealing with infringements which offers low-cost and quick results, this deterrent impact is only limited due to the low level of penalties and the lack of compensation (Intellectual Property Office, 2013).

Therefore, further improvement in legislation and administrative enforcement is necessary. Action can be taken to cut off intermediate parties, assign an exclusive authority being responsible for this process, and revise laws regarding penalties and rewards for IPRs. Generally, regulations also need to be more transparent to investors. In this area, a broad dissemination of information about the investment environment together with investment promotion workshops can be used to reach potential investors and facilitate the best practices. Regarding recommendations for foreign investors in Vietnam, it is necessary to act accordingly and perform effectively with rapid changes in the economic, political, and legal systems in the country. Foreign investors should also establish a representative association in Vietnam where they can connect directly with the Vietnamese government to update and have their own voice in the changes. Given the fact that the one-party system might be the main challenge for many foreign investors, this establishment could bring a great advantage to the investors in negotiating relevant alterations in the country, and also to provide them with a thorough understandings in terms of the dynamic investing environment to ensure business success.

Our findings also indicate that along with maintaining a competitive labor cost, improving the quality of human capital is necessary for Vietnam to attract more FDI in the future and to accelerate the pace of economic development. Thus, government policies should be focused not only on nurturing an educated and skilled workforce, but also on maintaining the comparative advantage of labor cost with other countries in the region such as China, Philippines, Thailand, or Indonesia. This implication is strongly supported by this empirical study. First, the study seems to suggest that the country's advantage has gradually moved from a low-unskilled labor force to more skilled human resources. Second, the literature supports that for long-term development prospects, extensive reliance on cheap labor costs without the consideration of human quality might be very risky and unsustainable (Barrel & Pain, 1996).

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This is proved in the study of Dossani and Kenny (2003) in India indicating that low cost factor can only initially attract investors, but the increasing quality of the workforce then becomes a crucial factor to retain and expand their economies of scale. Therefore, a low labor cost might be an advantage for Vietnamese economy now but not in the future. Accordingly, Cimoli, Dosi, and Stiglitz (2009) suggest that in developing countries, policies should be geared towards the improvement of not only the general level of education and training, but also to technological and engineering capabilities so as to accomplish the industrialization target as is evident in the case of India.

In the case of Vietnam, this can be achieved by establishing technological and engineering colleges that provide practical knowledge and applications, not just on a theoretical basis. A range of state scholarships from the government for advanced studies or excellent students in these fields are also recommended to encourage more professionals (Cimoli & Di Maio, 2004). Besides, although over the past 20 years the improvement in literacy and numeracy skills has contributed to the country's rapid economic growth and poverty reduction by helping workers move from low productivity agriculture to higher productivity non-farm jobs, Vietnam must increase its workforce skillsets to become a modernized economy (Worldbank, 2014). In fact, with the fast pace of economic development and an increasing trend of inward FDI, many foreign companies in Vietnam require employees to have a firm skillset to include cognitive, social, behavioral, and technical aspects (Worldbank, 2014).

However, such skills are seen as a big gap and shortage among the current workforce in Vietnam. Therefore, investment in education in which children can obtain a better school readiness from an early age, a cognitive and behavioral foundation in general education, and more practical vocational classes, might be a good opportunity for many foreign investors seeking new investments in Vietnam. This could make a big positive change in the quality of Vietnamese workforce, and would enable the workers to perform more practically and more competitively, and therefore be more conducive to attracting more FDI.

Research Limitations and Further Recommendations

The main limitation in this research is the variables selected for exploration locational factors to attract FDI inflows to Vietnam. In fact, locational attractive determinants could be represented by many other factors which are not covered in this study such as the exchange rate, export, import, tax, trade deficit, or research & development (R&D). However, those factors have been widely and repeatedly researched by scholars; hence, undertaking research on these variables would provide less contribution to the existing literature. For this reason, only the most represented factors were chosen in this study. In addition, as Vietnam is a transition economy whose reforms initially concern primarily formal institutions at the central level, only formal institutions have been explored in this study. Due to the time restriction and limited resource availability, informal institution factors at the sub-national level are not included in this study.

It would be useful to investigate how foreign investors are affected by informal institutions existing in the form of norms, values, cultures or ethics in the host country. Subsequently, a link of formal and informal institutions can also merit further examination by observing the patterns of FDI in Vietnam. Future researchers may also consider the possibility of a combination of qualitative and quantitative study with the use of both primary data by adopting interviews or questionnaires to explore concerns and barriers experienced by foreign investors in Vietnam.

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KEY TERMS AND DEFINITIONS

CIVETS: Are six favored emerging economies such as Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa.

Economic Development: Institutional reforms and concerted actions of policy makers and communities that promote higher standard of living and economic growth.

Foreign Direct Investment: Is a long-term investment in economy of one country by a company of another country.

Institutions: Structures, mechanisms and interactions that constrain and govern human behaviour within societies.

OLI Paradigm: A theory that provides a three-tiered framework (Ownership, Location, Internalization) for a company to follow when determining if it is beneficial to pursue direct foreign investment.

Transition: A process of changing from centrally planned to a market based economy.

Vietnam: one of the developing economies in South-East Asia.

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Chapter 24
Multinational Corporations: A Boon or Bane for a Developing Economy – A Study in Indian Context

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ABSTRACT

Foreign Investors are looking forward to enter organized retail sector, which has a mere 8 percent presence in India, but the present government in India which endorses liberal economic framework proscribe 100 percent FDI in multi-brand retail sector on the grounds of safeguarding small indigenous retailers known as 'kirana stores'. The objective of the chapter is to explore the importance of Multi National Corporations (MNCs) not only in multi-brand retail sector but otherwise as a potent source of technology, efficiency and equality for farmers and poor, poverty alleviation and growth for a developing economy as a whole.

INTRODUCTION

FDI is an integral part of every country's economic development but it deserves further contemplation for a developing country like India where economic growth and poverty elevation are both equally crucial elements for nation's progress. Government of India endorses liberal economic framework but proscribe 100 percent FDI in multi brand retail sector on the grounds of safeguarding small indigenous retailers known as 'kirana stores' and poor farmers who supply goods to them. The government is of the view that permitting FDI in organized retail sector will increase competition for the small indigenous retailers and might push them out of business which in turn will impact the poor farmers, leading to more unemployment and poverty. MNCs competitive pricing strategy is also a point of concern posing business losses for indigenous retailers. But the question arises here is, "Is this the best possible way to help poor farmers and corner shops or there is any other possible approach?"

The beauty lies in strengthening the weaker sections of the economy, uplifting their living standards and empowering them to join the growing middle income group. How long can a country protect them from facing the growing competition in the world by imposing trade restrictions, are we waiting for the

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day like in 1991 when things went out of our hands with extremely severe balance of payment crisis and then India embraced liberalization and globalization policy as there was no other alternative in store. According to Ahluwalia (2002) the need for policy shift became evident way back in 1980's when many East Asian countries managed high growth and poverty decline by encouraging private sector and export oriented policies and but the Indian government signaled systematic shift to further open economy with greater reliance on market forces, larger role for private sector with foreign investment and restructured the role of government only in 1991 after the crisis.

FDI inflows in developing countries have gained attention due to the widely acknowledged FDI's potential to improve productivity of host countries and promote economic growth and development (Alfaro et al., 2010). Solow (1957) argues that the sustained economic growth occurs only in the presence of technological progress, an exogenous source, but will consequently result in diminishing returns to capital in the long run. On the contrary, the new growth theory argues that growth can be endogenous by emphasizing the idea of human capital pioneered by Schultz (1961) that promotes the investment in human beings. Solow model could not explain the reasons for different growth rates across countries except by appealing to technological progress (Chamberlin, 2006) however the addition of human capital to the model increases the ability to explain cross- human capital country differences in income levels (Mankiw et al., 1992). Several studies highlight the significance of human capital to the nation's growth. A study by Aghion & Howitt (2009) proposes human capital and technological progress as two main inputs of endogenous growth models. Barro (1991) conducted a study on a number of Sub-Saharan countries with very low level of human capital and recommended the model with human capital as exogenous factor to significantly predict the growth rate. Neo classical economist propose that foreign investment provides required capital, managerial skills, advanced technologies, export capabilities (Soyasa & Orneal,1999) and increases the rate of investment from domestic resources (Lall, 1974; Dunning & Humdani, 1997). According to Alfaro et al. (2004) FDI inflow through efficient technologies and management practices promotes domestic production and consequently economic growth.

According to Prahalad (2008) more than 4 billon people of the world constitute the bottom of the pyramid (BOP) and out of them 3 million i.e., approximately 70 percent represent developing countries, like BRICS, Thailand, Indonesia, Turkey and Mexico. India has second highest population after China and has 21.9 percent people below poverty line (Planning Commission, 2012). A developing country hence has a fair chance to grow and even tackle the most fundamental problem like poverty, unemployment and illiteracy with the FDI inflow that along with technology also invest in human capital. The study by Qadri (2014) suggests investment in human capital as one of the key macro variables for economic growth of Pakistan (Qadri 2014). Nelson and Pack (1999) argues that the rapid growth in a number of Asian economies like Korea, Taiwan, Singapore and Hong Kong was the result of capital accumulation but its productive assimilation or absorption was the key to success.

Government should proactively be involved in opening up of different sectors for FDI with a vision to alleviate poverty, strengthen the poor to face the growing completion across the globe and to gear up the economic growth. MNCs like PepsiCo and HUL are genuinely contributing to address these fundamental problems along with their profit making. The objective of the paper is to study the contributions of these MNCs alongside their routine profit making and evaluate if they are in real sense a boon for developing economy and make a substantial case to propose liberal FDI norms in various sectors including multi brand retail in India.

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Background

Ever since independence in 1947, Indian government followed a restrictive trade policy. Economic reforms and liberalization in India began after the serious fiscal and balance of payment crisis in 1991. Post liberalization, economy followed the path of globalization and was opened to trade and investment. In 1990s India witnessed the aggregate annual economic growth of 5-8 percent and outshined as a developing country on the global front which is solely attributed to the economic reforms (Ahluwalia, 2002; Panagaria, 2004; Nagaraj, 2007; Ahmed, 2012). The reforms lifted the ban on Foreign Direct Investment (FDI), but the extent to which it was allowed in different sectors has been the most contentious issue over the years.

The debate over FDI in retail is actually between the Government and the Economists who look beyond the voters' bank and could foresee the benefits of it from the economic growth perspective in the near future. Nirmala Sitharaman, who is in charge of the commerce and industry portfolio, under BJP government, India, has publicly stated that the party is against FDI in multi-brand retail (TOI, 2014). Sitharaman said the party has clearly articulated its position on the multi-brand retail and had won the elections on the basis of the manifesto (Business Today, 2014).

Various studies (Bajpai & Sachs, 2000; Lensink & Morrisey, 2001; Wang & Balasubramanyam, 2011) have been conducted to examine the role of FDI in promoting economic growth. Bajpai and Sachs (2000) suggested that higher human capital and financial assistance are essential ingredients for Indian states to reap benefits from FDI. Tiwari (2009) acknowledges the potential of linkage between FDI and local industry to stimulate local and overall economic development whereas Hansen et al. (2004 & 2007) suggested that the benefits could be maximized if FDI links to local investors through joint ventures, licenses, franchisees etc. Balasubramanyam et al. (1999) acknowledges that FDI is capable of promoting economic growth through technology transfer and skill diffusion. Certain studies (Mellor, 1976; Hansen, 2004; Balasubramanyam et al., 1999) also identified conditions necessary for the FDI to promote economic development in any country. Gokhale and Sinha (2012) are of the view the retail is India being a local industry (unorganized), will not be much affected by the FDI in retailing rather it will benefit the existing organized players in the market and certainly Indian consumers in the long run with innovative retail formats, best practices and world class goods and services. Government of India should allow FDI in retail as multinational retailers have potential to improve efficiency and performance of the existing distribution system (Kohli & Bhagwati, 2011; Ghosal & Shrinivas, 2012).

India being a developing country with second largest population in the world and vast poverty should aim to ensure that FDI inflow target poverty alleviation along with economic growth which is seemingly possible if the policy reforms and government collaborative initiative are appropriately crafted and timely executed.

MULTI NATIONAL CORPORATIONS

Not a Threat to Unorganised Sector: Mom and Pop Stores, 'Kirana Stores'

India's retail industry grew at a cumulative aggregate growth rate of 10.6 percent during 2010-12 and is projected to attain 18.8 percent growth till 2015 with the market share worth of $750-850 billion. Retail sector is India is bifurcated into large unorganized sector accounting for 92 percent share and small but

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growing organized sector accounting for 8 percent share which is expected to touch 20 percent by 2020 (Delloit 2013). Unorganized market comprises of indigenous grocery stores, corner shops, mom and pop stores and convenience shops which are usually family run and low on operating cost. Organized sector on the other hand is based on modern retailing format comprises of super market, hyper market, departmental stores and specialty stores.

Indian government is jittery to allow 100 percent FDI in multi brand retail on the ground of shielding indigenous kirana stores from the tough competition posed by organized sector. Report by Ablett et al. (2007) states that Indian household spend 48 percent i.e., highest proportion of their income in the world on food and beverages bought mainly by unorganized indigenous retailers. Government feels that organized retailers can displace unorganized retailers by being more professional, organized and price competitive. At the face of it, it appears to be a genuine concern, but detailed investigation proves it to be a phony intimidation.

Kirana shop is a small neighborhood retail store; usually family owned selling groceries and sundries. According to the estimates there are about than 12 million kirana stores in India (Bissell, 2014) employing more than 35 million or 7.3 percent of the India's workforce (Economic Survey, 2013). Study by Kohli and Bhagwati (2011) identifies that kirana shops, an unorganized retailer have an edge over organized retailer in number of ways. Kirana shops are low on running cost as usually family run and small in size, at times home is converted into shop or warehouse. These small shops accept product returns, exchange goods, understand the likes and dislike of individual customers and give credit to their long lasting customers unlike organized retailers.

There is a vast literature on the impact of super market on small grocery stores with mixed responses. Sobel and Dean (2008) suggest that Wal-Mart's presence in US only led to reallocation of small retailers resulting in expansion or contraction of their businesses. Other studies conducted by (Perloff & Salop 1985; Anderson et al., 1992; Igami 2008) suggests that the large super markets improve the survival rate of small stores as they cater to different group of consumers and therefore soften price competition. Igami (2008) signifies the difference between small and big retailers by emphasizing that stores with varying floor sizes cater diverse products to different consumer groups.

Balasubramanyam (2013) is of the view that lower income group neither demand nor afford international variety of products because of cost, reach and storage concerns unlike higher income group who are interested in wide range of products. Scarcity of prime locations and rising retail rentals in India have pushed these super markets in the suburbs or outskirts of big cities, making it difficult for a common man to commute to such distant places for daily needs. Not only the tier 1 and metropolitan cities but with the ever growing population even the tier 2 and tier 3 cities are expanding in all directions. It is highly unlikely for a common man to prefer spending on fuel and travel to distant malls for top up shopping rather prefers a local mom and pop store or a vegetable vendor for fresh fruits and vegetables. With Joint family system still prevalent in India, elders of the family often walk till the nearby kirana stores for top up shopping, fresh vegetables, fruits etc which is also the source of social engagement and chit chat with the like minded people of their age.

Prahalad (2008) observed that consumers at the 'bottom of the pyramid' buy goods frequently and in small quantities because they can neither afford nor store goods due to lack of facilities at home, which again makes nearby kirana shops a convenient destination for their daily needs. India is known to have fast growing middle income groups but it accounts for less than 30 percent of the population (Saxena et. al., 2010) and according to Planning Commission statistics (2012) 21.9 percent of population is below poverty line hence both organized and unorganized retailers will co-exist in near future as

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they proffer different value propositions to customers. It is recommended to go for a phased opening of FDI in multi-brand retail starting with the metropolitan cities which would likely persuade and encourage the existing retail shops to modernize and cope up with the competition and address the concern of indigenous retailers and consumers.

A Boon for Underprivileged Farmers in Agriculture Sector

India is concerned about FDIs role in economic growth as well as poverty alleviation. Arguments by (Dollar & Kraay, 2002; Winters, 2002; Ganuza et al., 2005) suggest a positive relation between trade liberalization and poverty diminution. Perera et al. (2014) reports a positive impact of trade liberalization on income equality and poverty decline in both rural and urban sector in Sri Lanka. Study by Mabugu et al. (2014) also indicates long- term positive impacts of trade liberalization on reducing poverty and inequality in South Africa. Few studies have also suggested ways to reap maximum benefit from FDI to strengthen the weaker underprivileged sections of the society. Arguments by (Millor, 1976, Hansen et al., 2007 & Tiwari 2009) indicated the proper linkage between FDI and local industries to promote domestic economic development. Studies by (Keller & Yeaple, 2009; Nicolini & Resmini, 2006; Rugraff et al., 2011; Hansen, 2014) emphasized the spillover effect of MNCs latest production techniques, advance know-how, organizational and managerial practices to benefit local firms' competitiveness on the global front and to increase domestic productivity. Bwalya (2006) also advocated the positive spillover effect of advanced technology and expertise from MNCs to local industries for economy's growth and development.

Hirshman (1958) and Millor (1976) argued that the backward linkages of FDI with local industries result in economic development whereas but Nicolini and Resmini (2010) provides evidences of both horizontal and vertical spillover in backward and forward direction from MNCs to domestic firms in Bulgaria, Romania and Poland. Hansen (2014) being more precise is of the view that the upstream and downstream linkages in value chain of MNCs are more likely between inter-industries firms with the possibility of not creating competitors for themselves But it is certain, that such spillovers and linkages are boon for the economy transmitting knowledge and technology to the host country (Ivarsson & Alvstam (2009). Li and Liu (2005) also support that spillover from FDI results in increasing stock of knowledge in the host countries.

The sectoral composition of FDI engaging with domestic resources could encourage multi dimensional development of the local economy by creating livelihood opportunities and attract private and public sector investment in social sectors like education, health and infrastructure (Tiwari, 2009). Several studies argue that nation's growth depends on the absorptive capacity of variables like education (Borensztein et al., 1998) trade policies (Balasubramanyam et al., 1996) and the initial level of development (Blomstrom et al., 1992). Girma and Gorg (2002) suggest the nation's absorptive capacity to soak up spillovers from FDI as a key source to growth and productivity. Damijan et al. (2013) studied the spillover effect of FDI in ten transition countries to confirm that the positive effects of spillovers from foreign firms substantially depend on the absorptive capacity and productivity level of individual firms. As suggested by Tiwari (2009) the spillover from improved social sectors that reaches the wider population enhances the overall human capital; hence FDI could also be seen as a tool to strengthen certain absorptive capacities in a nation with the help of government's effective trade policies.

Karnani (2007) argues that it is highly unlikely for MNC to have social responsibility agenda on priority instead of economic profit but he proposes a solution where MNCs general course of business

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activities could tackle social problems like poverty, development and jobs creation through skill upgradation by collaborating with local partners. Pepsi Co in India has collaborated with local partners and as suggested in the literature review the linkage between FDI and local industries through technology transfer and spillover effects is contributing to the poverty eradication and upliftment of the poor farmers in the country.

According to the Agricultural Produce Market Committee (APMC) Act of India which came into existence in 1991, it was made compulsory for the farmers to sell their produce to licensed merchants or middlemen at mandis' (market) set by state agriculture marketing boards instead of selling directly to retailers or consumers. These middlemen virtually operated like a cartel and monopolised the retail market by buying goods at cheaper prices from the poor farmers and selling them at high prices to the end users and pocketing the entire profit themselves. In 2014, as a measure to regulate high food inflation in the economy, Government of India requested all the states to delist fruit and vegetables from the APMC act but this measure alone is not adequate as the poor farmers faces several difficulties like transportation, storage etc to reach the consumers directly with their produce. Hence it is argued that the shops set up by foreign firms in the country could shorten the supply chain, rid farmers of intermediaries and provide them with a large share of the final selling price. (Ghosal & Srinivas, 2011).

PepsiCo, a global food and beverage leader is operating in India through 100 percent FDI route in food processing sector with the product portfolio of 22 brands and annual retail sales of over $1 billion. In India PepsiCo operates with 38 beverages and 3 food plants and proposes to invest 33,000 Crore by 2020 towards upgrading innovation, supply chain mechanism, market infrastructure and manufacturing capacity. Since inception in 1989, PepsiCo has been working with farmers through contract farming. Contract farming is an agreement between farmers and the buyers, where farmer promises to timely supply specific commodity, at pre-agreed price, quality and quantity to the buyer. According to the terms of contract, the farmer is not only required to plant contractor's crop, harvest and deliver the produce at the pre agreed price but will also receive the required inputs, technical advice or expertise for plantation. Contract farming is a powerful means to introduce new crops and farm technologies when marketing and production uncertainties pre-dominate the economy and are highly effective when offers fair price and adequate risk coverage (Chaturvedi, 2007). PepsiCo first contracted with farmers for tomato cultivation for the purpose of exporting tomato paste to foreign countries. The advanced agricultural practice and technical support resulted in increased agricultural yield by three-fold from 16 - 52 MT / hectare and doubled the length of season for growing tomatoes (Seth, 2003). The improved yield increased farmers income and lowered prices for the consumers.

PepsiCo is associated with more than 12,000 farmers across various states like Punjab, Uttar Pradesh, Karnataka, Bihar, West Bengal, Gujarat and Maharashtra for the production of world class chip-grade potatoes. In 2012, potato yield in West Bengal recorded 100 percent growth with profit reaching to Rs. 20,000– 40,000 per acre, as compared to Rs. 10000–20,000 per acre in the year 2009 (PepsiCo India). PepsiCo as a development partner reaches out to more than 22,000 farmers to produce potato, barley, tomato, paddy and chilies through contract farming and supplies them higher quality seeds, suitable agricultural inputs and tools to raise productivity free of cost. The company's guaranteed buy-back mechanism at a pre-determined rate shields the farmer from losses due to market price fluctuations. PepsiCo has brought together the world class agricultural practices to increase farm productivity and earnings and reformed the lives of thousands of poor farmers in India. Blomstrom and Kokko (2012)

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are also of the view that research and development efforts undertaken by the MNCs and training of local employees in the foreign affiliates demonstrates an important channel of spillover of FDI on local firms.

According to Chaturvedi (2007), PepsiCo has been exporting Basmati rice since 1990's and was the first food processor in India to invest and strengthen backward linkages. PepsiCo was extensively involved in multiple location field trials and ensured successful transfer of technology from the trials to commercial field level for the best quality produce. The company procures a pre-agreed quantum of harvest at a pre -agreed price resulting in an assured income to the farmer. PepsiCo has also entered into a partnership with the Punjab government (Punjab Agriculture University and Department of Horticulture) to promote contract farming for citrus fruits. The Government of Punjab has facilitated the creation of nursery infrastructure, land for demonstration plots and import of germ plasm. PepsiCo for its part has provided international expertise on grafting and planting and has also sent farmers to citrus groves in Florida for training. This collaborative work has resulted in quality produce being directly procured by the company which eliminates middlemen from the system and guarantees a stable price to farmers and the end users.

According to Chaturvedi, PepsiCo's contract model consists of three building blocks, research and development activities, technology transfer and commercialization. It ensures best inputs to farmers for quality produce procured at a pre agreed price, facilitating company's long term planning and investments and raising the living standard of farmers. PepsiCo has emerged as a development partner by aiding farmers to create cost -effective, localized agriculture- supply chain for its business and raise their earnings. According to Karnani (2007), private sector can play a strategic role in alleviating poverty by considering poor as producers from whom they can buy and increase their real income rather than looking at them as potential buyers and selling to them. Once their income increases, this section of population will possibly join the mainstream consumer group and eventually the rising middle income group of the nation. PepsiCo seems to have been working in this direction and sets an example for other MNCs to follow. PepsiCo along with the farmers and State governments is collaborating to upturn agricultural – sustainability and crop diversification and provides customized solutions suitable to specific geographies and locations. It has tied up with State Bank of India to facilitate cheap credit to farmers and extends weather insurance policies from ICICI Lombard to overcome the unforeseen weather condition risk.

The study conducted by Wogbe (2014) indicates that FDI could be an important vehicle to achieve economic growth in Philippines provided that the government creates sufficient absorptive capacities by investing in infrastructure and human capital. Borenstein et al. (1998) and Balasubramanyam et al. (1999) suggest a threshold level of human capital endowment essential for promoting growth through FDI in any nation. Thus the government just can't rely on FDI to contribute miraculously to nation's growth but should strengthen the absorptive capacity like education, skills, infrastructure, ease of doing business and liberal trade policies.

The present BJP government has rightly initiated PPP's (Private –Public Partnerships) in training and skill up-gradation for the rural India population through Skill India initiative program. The government can largely impact the business decisions and activities of MNCs to carve out the most applicable development frameworks for the society without disturbing their profit making business. PepsiCo's initiative leads to spill-over from improved social sectors to reach the wider population enhancing the overall human capital; hence FDI could also be seen as a tool to strengthen certain absorptive capacities in a nation with the help of government's effective trade policies.

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Increased Choice at Bottom of the Pyramid

It used to be the general thought that poor are not the target customers for MNCs as they don't have enough money to purchase standard products or they are not brand conscious people. Unfortunately all these thoughts have been refuted.

Prahalad (2008) suggested that an active engagement of MNCs at the BOP (Bottom of the Pyramid) will helps them identify their requirements and consider poor as their potential consumers. It is crucial to educate poor about the appropriate use and advantage of the products and services so that they can benefit from it. Prahalad argued that the success of BOP market lies in altering price-performance relationship. The per unit profit margin might be low in this segment but the large volume, low risk and high return on capital employed creates big time business opportunity and gains. Poor are penalized because of the presence of local monopolies, inadequate access, meager distribution and strong traditional intermediaries which could possibly be overcome by allowing MNCs to explore this section of the economy. There is opportunity for MNCs to built market at the BOP that can result in profit making along with poverty alleviation and a win-win situation for the economy. The capability approach as against monetary approach believes that development lies in expanding the choices available to the people to lead a valuable life as against the economic growth numbers (UNDP, 2006). It holds true in our case as the poor are equally interested in variety of products that are beneficial to health and living but the firms do not aim to tap these consumers bearing in mind the affordability and outreach.

Apart from the three traditional capabilities being global efficiency, national responsiveness and worldwide learning identified by the transnational model (Bartlett& Ghosal, 1989) for the success of MNCs, London & Hart (2004) suggested the fourth global capability in social embeddeness as the most significant strategy for MNCs to operate in emerging markets. This global capability could be considered as "social embeddedness or the ability to create comparative advantage based on a deep understanding of, and integration with the local environment" (p.364). London & Hart (2004) argued that this strategy is very important "to enter low income markets which is based on valuing and facilitating the bottom-up co-invention, by a diversity of partners, of locally appropriate solutions. These solutions also involve investing resources to develop capacity beyond the protective boundaries of the firm" (p.364). It is important for MNCs to convert BOP into a consumer market to sell them their products. As suggested by the social embeddedness approach, the key lies in the ability to understand leverage and build on the existing social infrastructure. The strategy should not be aimed to overcome the weaknesses in the emerging economies rather should target resources and knowledge in the external environment as a source of competitive advantage. The BOP consumers are as brand conscious as rich but are extremely value conscious by necessity. MNCs like Unilever and Procter & Gamble (P&G) are successfully operating in this segment with the strategy that comprehend the social context and have created the huge market for themselves. P&G provide single- serve sachet of shampoo which is preferred by this segment as they only have cash to buy what they need for that day, affordability being the main concern. There is vast distribution network for the delivery of their products and services in the rural areas.

MNCs who are exploring these markets have realized the vast untapped potential but as suggested earlier the poor and illiterate people need to be educated to understand the importance and uses of the products being offered to them . At the same time these people should be part of the business process so that they are capable enough to afford the products. Products should be sold in small affordable quantities, which make the buying easy for this section on recurring basis. The key lies in increasing the choice of products being offered to this section and should be properly advertised and marketed. BOP

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customers readily accept the advanced technology and ITC e-chopal is the live example. ITC an Indian company came up with personal computer (PC) kiosks in villages which allowed farmers to access the rates of their food grains they wish to sell not only in Indian mandi's (markets) but also consider the future prices at Chicago Board of Trade internationally. Women entrepreneurs in Southern India used video conferencing to confirm the interest rate at various banks across villages. Villagers are easily using cell phones to negotiate their sale deals and also to communicate with their children and relatives abroad. This section is thus very open to new products and new technologies provided they are aware and is within their reach in terms of affordability.

This section of India has large untapped market potential and MNCs who look forward to these markets have substantial scope to contribute to the society along with their profit making in terms of employment, training and education, raising their standard of living and finally contributing to the development of the country. Time and again it has been witnessed that private sector involvement has contributed to well being and poverty alleviation of the society.

HINDUSTAN LEVER LIMITED

Hand Washing Revolution in India

Diarrhea is one of the most infectious diseases that annually kill 2.2 million people worldwide (Velerie, 2002), and India alone accounts for worlds 30 percent diarrhea related deaths (UNICEF, 2003). Hindustan Unilever Limited (HUL), the Indian subsidiary of Unilver, one of the largest detergent producers in India reached rural India to educate them about the importance of hand washing.

HUL is the market leader in Indian fast moving consumer products with presence in over 20 product categories like food and beverages, cleaning agents and personal care products. It is a Fortune 500 multinational company with the worldwide presence across 100 countries. It was established in 1933 by Lever brothers but was later in 1956 merged with Hindustan Vanaspati Manufacturing Company Ltd. and United Traders Ltd. The Anglo-Dutch Company Unilever owns a 67 percent controlling share in company. HUL marketed their soap by emphasizing the importance of frequently washing hands to combat deadly diarrhea was very novel method of marketing and were successful in generating the essential behavioral change. They operated through public-private partnership for hand washing with soap-Lifebuoy and incorporated hygiene and child health as an integral part of their business activity. To reach rural consumers they studied their preferences and behaviors and realized that rural population was neither aware about the presence of bacteria nor bacterial infections. HUL thus initiated the drive to educate people about the bacterial infections and hand washing as a means to keep such infections at bay. HUL along with Ogily & Mather, the advertising company planned behavioral change education campaign to link their soap Lifebuoy with germ eradication and health messages. HUL hired local people for this campaign who can communicate well with the people in the rural areas. This campaign was successfully driven in several states of India. This was hence a win-win situation for the poor consumers and the company.

The renounced Nobel laureate Amartya Sen (1981) also related to capability approach where poverty can be capability-deprivation and could be tackled by increasing people's choices and enhancing human capabilities. UNDP developed four main human development indices based on the capabilities approach namely, Gender Development Index (GDI), Human Development Index (HDI) and Human Poverty In-

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dex (HPI). Majorly these indices measures human well being in terms of longevity, health, awareness, knowledge, standard of living and gender inequality (UNDP,HDR). These are very important measures to gauge the success of poverty reduction measures and development of the rural poor population. MNC's can thus contribute to the development front when the investment and business strategies are directed to involve them and increase their earnings along with addressing the human wellbeing concerns pertaining to education, longevity, health, awareness etc.

HUL came up with rural distribution initiative Project Shakti to enhance HUL's direct rural reach. HUL creates livelihood opportunities for rural underprivileged women who are employed as direct-to-home distributors for their products in the rural market. This project target small villages with population size less than 5000 and aims at rural affluence along with profitable business. They train and educate entrepreneurs to communicate effectively, become confident and business savvy professionals capable of running their own ventures. These women entrepreneurs are called Shakti Amma who largely knows the need and demand of the people in their villages. These women entrepreneur earn Rs.100-1000 per month, though seems less but it makes significant contribution to the families who live below the poverty line and boost the buying capacity of their families. There are around 45,000 Shakti Ammas across 15 States in India and the project has been successful for both for HUL and underprivileged women in rural India (HUL, 2012).

In 2010, HUL also proposed Shaktiman initiative. Through this initiative the men from the Shakti Amma facilities were involved in distributing HUL products to the neighboring five to six villages and were also given bicycles for easy commuting. The earning by the Shaktiman further enhanced the household income and hence the standard of living. Shaktiman project has more than 26,000 distributors and is spread across the country. HUL works closely with NGOs, local and state government bodies and banks in encouraging women to take to entrepreneurial roles and contribute to the economic growth of their family and the nation. HUL has also partnered with State Bank of India to bring banking in the rural low income group people through Shakti Ammas (HUL, 2012).

HUL continuously works on developing grass root marketing initiatives to reach the poor and rural population. Hence as suggested by Karnani (2007) MNCs general course of business activities could tackle a social problem by collaborating with local partners to ease poverty, enhance development and generate jobs through skill up-gradation.

During 68th United Nations General Assembly in New York, Lifebuoy emphasized the role of private sector in accelerating progress towards the Millennium Development Goal which aims to reduce child mortality through hand washing. The partnership between businesses, NGOs and government could scale up life saving hand washing with soap and can help more children reach the age of five. Lifebuoy has a proven model for hand washing behavior change and launched its Help a Child Reach 5 hand washing campaign to improve the health of Thesgora, a village with one of the highest rates of diarrhea cases in India. Lifebuoy aim to expand its life-saving mission to more and more villages and would like to continue till child mortality due to diarrhea is eliminated (HUL, 2013).

Iodized Salt Revolution in India

Iodine Deficiency Disorder (IDD) is the leading cause of mental disorder and retardation in the human beings and the irony is that in India only 25 percent of the salt consumed is iodized. More than 70 million people have Iodine deficiency and nearly 200 million are nearing to this disorder (Rajendra &Shah 2003).

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It is suggested to use iodized salt for cooking but even the iodized salt loses its iodine due to improper storage, transportation and Indian cooking methods till the time it is consumed. Indian salt market is dominated by more than 300 local players and few branded players who sell salt of various qualities accounting for barely 25 percent of iodized salt. The World Health Community in 1997 banned the sale of non-iodized salt in India which pressurized few sellers to add iodine to their salt but the uneducated poor consumers still preferred low priced non-iodized salt.

HUL in 1995 launched Annapurna iodized salt on the healthy ground with stable iodine that could be trapped even while cooking and was the first in the world to be endorsed by The International Council for Control of Iodine Deficiency Disorders (ICCIDD). ICCIDD was formed in 1985 as a non-profit non government organization with the support from World Health Organization (WHO) and UNICEF to eradicate iodine deficiency disease worldwide. HUL's technological innovation of Annapurna Salt with stable iodine reveals the capability of MNCs to work for both profit and non-profit motives and collaborate with non-profit organizations, in this case to bridge the gap between IDD and healthy population. HUL's initiative also attempted to bridge the gap between poor as a problem and poor as a source of innovation and profit (Rajendra &Shah 2003).

Rural and poor population were not able to purchase big packets of salt due to affordability issues, hence HUL in order to tap the huge market potential launched Annapurna iodized salt in small 200 gram packets priced as low as 1.50 Rs per packet which was a big hit not only in the profitability terms for the company but also on the healthy front for the nation. Unilever has five research facilities worldwide including two laboratories in India established in Bangalore and Mumbai. Hindustan Lever Research Center (HLRC) has worked out the technologies to bring down the unit price of small units of salt making it affordable for the poor section and came up with the lowest possible price in the history of any HLL product. HUL's Annapurna salt is iodized salt with stable iodine that prevents people against goiter disease and promotes mental development.

HUL reached rural India through a project known as 'Shakti'. Project Shakti worked with women self help groups (SHGs) who were trained to work in rural areas as a distributer to deliver products direct-to-home and educate the poor consumers about the health and hygiene aspects of their day to day living. This project not only stimulated the rural demand for HUL products and the company profits but also spread awareness and insight about the health and hygiene related issues. HUL empowered the rural females who shouldered the execution plan by spreading awareness about the brand, developed new channels of distribution and raised social awareness to health related issues. Women associated with Project Shakti earn decent income which is very important source of uplifting their family's standard of living too.

Prahalad (2008,p.204) has rightly said that "for MNCs, BOP can serve as a profitable impetus of innovative technology and marketing savvy, and the corporations, together with NGOs can address social problems at affordable cost."

The nation should realize the benefit of implementing right kind of trade policies to leverage the expertise and technological know-how of foreign Multinational companies who are presently looking at India as the most prominent future retail destination for their investment. The innovative models developed by PepsiCo and HLL should be examined closely to determine how MNCs could be beneficial for the equity and efficiency of the rural poor section of the society and raise their standard of living that finally contribute to the nations growth.

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SOLUTIONS AND RECOMMENDATIONS

In the light of above discussion it is evident that MNCs could be a potent source of equity and efficiency for the farmers and poor. As suggested by Karnani (2007) the engagement of rural people as producers in MNCs operations will address poverty, boost development and create jobs through skill up-gradation apart from generating profit. According to Prahalad (2008) " If we stop thinking of poor as victims or as burden and start recognizing them as resilient and creative entrepreneurs and value conscious consumers, a whole new world of opportunity will open"(p.1) which is a distinctive approach to sustainable performance and growth of a developing country. HUL and PepsiCo's business operations are based on this very framework. HUL has been really successful in exploring business opportunity at the bottom of the pyramid by making more choices available to them at affordable cost and generating profit on numbers. Their distribution network encompasses women and men from the rural area who are trained, educated and groomed to work and earn their livelihood. PepsiCo through contract farming is creating employment, income and skilled labor force in the rural agricultural sector demonstrating an important channel of spillover of FDI on the host economy (Blomstrom & Kokko 2012).

MNC's like HUL and PepsiCo are operating in India through FDI route and as argued by the new growth endogenous theory (Pack, 1994) FDI is effective in promoting growth and increasing social returns along with private returns in the countries that pursue liberal foreign trade and investment policies by increasing returns to scale, imperfect competition, human capital accumulation and spillover effects (Balasubramanyam, at al., 1999). The 'Skill India initiative' by the current BJP government aligns to Balasubramanyam et al., (1999) argument of having a threshold level of human capital endowment in place for FDI to promote growth of the nation. Further it is argued that the effective co-ordination of human capital with FDI requires an effectual domestic market for the goods that are produced. HUL's rural market operation involves rural engagement that improves livelihood which further translates into the spending and purchasing of affordable goods being offered by the firm. It is also argued that for the technology and skill spill-over to materialize from FDI, countries should set off effective and well crafted policies. PepsiCo was restricted from importing potatoes from elsewhere but acknowledging the vast market potential they agreed to procure it from within the country and initiated contract farming with the rural Indian farmers. A argued by Asiedu (2002) trade restrictions can have a positive impact when the FDI is market-seeking and look forward to serve local markets. PepsiCo in India thus had all reasons to accept the restriction imposed on the import of potatoes bearing in mind the untapped market potential.

This initiative has improved rural sector's livelihood along with making them tech- savvy. They use best fertilizers to boost production and advanced irrigation techniques to reduce water consumption. Potato being a water intensive crop could only be produced in well irrigated regions but the advanced irrigation techniques introduced by PepsiCo not only reduced the water usage by 50 percent but also made potato cultivation possible in water scare region like Satara in Maharashtra.(PepsiCo,2011). Indian Government also fears that MNCs might procure supplies from foreign suppliers at the cost of rural poor farmers. The research conducted by Belderbos et al. (2001) on the sample of Japanese FDI firms operating in several host economies suggest that the MNCs largely use local suppliers when producing for the host economy markets. The study by Lall (1980) rightly argues that the MNC's operating in developing countries also have their own self vested interest in improving local suppliers and the same holds true for India where to tap the huge accessible rural sector they need to be made affluent enough in affordability terms. There will certainly be some problems in the short run but over time the economy will start reaping benefits from the FDI and operations of MNCs. As argued by Kiyota et al. (2008) FDI firms will take some time

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to get rooted in the local economy and build sustainable linkages with the domestic firms. There are several instances of fruitful FDI backward linkages in terms of technology transfers. Jordaan (2008) and Padilla-Perez (2008) indicate positive economic effects of backward linkages by investigating a positive alliance between MNCs and productivity of local input suppliers in Mexico.

It is hence suggests that the effective policy along with the firm's motive to tap the local market might work in the favor of the local rural farmers. India should favor phased opening of FDI in multi-brand retail beginning with the metropolitan cities which will probably encourage and promote the existing retail shops to modernize and cope up with the competition and address the concern of farmers and consumers. FDI will at the same time bring in technical knowhow to establish efficient supply chains and address the issues related to high food inflation and low profit for the farmers due to presence of mandis' and middlemen. Liberalizing FDI in retail could potentially bridge the investment and infrastructure shortfall; improve supply chain management and storage facilities which is responsible for huge waste of food and vegetables every year. MNCs like PepsiCo and HUL have well contributed to the poverty alleviation, education, productivity enhancement, income growth, health, hygiene, women empowerment and uplifting standard of living of the poor and rural population. AT Kearney's Global Retail Development Index (2014) has rated India as 14th most favored retail destination in the world, it seems to be the right time to take a leap by allowing FDI in multi brand retail sector in India and outshine on the global front.

The eminent economist and philosopher Bhagwati (2015) forecasts that India will open up FDI in multi –brand retail in near future owing to the fact that current Indian government is in the process of scaling up trade liberalization and direct foreign investment. Asediu (2002) suggested the credibility of reform process as an essential tool to capitalize on gains from trade liberalization in African countries which is also applicable in the case of India. It is hence, highly recommended that India should liberalize its trade regime to boost FDI inflow in various sector of the economy by reassuring the credibility that it would not be revised in near future as it happened last year with the FDI limit in multi brand retail. In 2014 the limit of FDI allowed in multi brand retail was rolled back from earlier permitted limit of 51 percent in 2012.

It is also recommended that the Indian government should take clue from Chinese government's collaboration with PepsiCo to promote sustainable agriculture and accelerate development of farmers. Prime Minister Narenda Modi has rightly said that schemes that guarantee employment for few months like MGNREGA are actually not the means to alleviate poverty rather the need of the hour is to initiate the upliftment of poor by making them technologically sound (Livemint,2014) and shifting the focus from demand-based employment to project-based services (Business standard, 2014). FDI in retail thus seems to be the need of an hour being capable of creating employment, enhancing managerial skills and technology transfers (Asiedu, 2002) that is crucial for the growth and development of the country.

FUTURE RESEARCH DIRECTIONS

There is a need for detailed case studies of the operations of the few foreign firms such as Hindustan Lever and PepsiCo that are actively collaborating with the farmers in India. There is wide scope to study how MNCs in developing countries expand their business scope to serve poor consumers. There is also a wide scope to reinvent strategies to enter the market at the bottom of the pyramid in emerging and developing economies. Studies could aim to explore various spillover effects from foreign firms operating in the host countries and the possible linkages between local and foreign firms capable of boosting development and economic growth.

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CONCLUSION

India should allow FDI without any safeguards and restrictions in multi-brand retail sector as MNCs are capable of contributing to economic growth and development of the society as evident by the PepsiCo and HUL's operations in India. FDI in Multi brand retail is also not a threat to kirana stores rather it can incentivize existing retailers to modernize and compete with them in the near future.

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Chapter 25
On the Road to SME Sector Development in Bangladesh:
A Guideline Based on Current Challenges and Opportunities

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ABSTRACT

Entrepreneurship has been deliberated as multidimensional and multidisciplinary study. From the economic point of view entrepreneurship is the central force for economic development for any nation. Scholars and policy makers now have started to see entrepreneurship as panacea for inclusive growth. Entrepreneurships are most widely popular and discussed area. Study on small and medium sized enterprises (SMEs) has been maturing for the last decade as it has been regarded as significant player for the social development along with the economic development. In Bangladesh, SMEs account for a large proportion of the total establishments in various sectors. Considering the importance of the SME sector in Bangladesh, this study intends to explore and sketch-out the landscape of current SME setting in Bangladesh. With this aim the study has extensively carried out literature review, observed and understood the secondary data obtained from various organizations, and finally presented a policy driven recommendation (micro and macro level) which would enable to develop the SME sector in a developing country like Bangladesh.

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INTRODUCTION

Entrepreneurship is considered as multifaceted and multidisciplinary study. It has adopted different unit of analysis, theoretical standpoint and methodologies. (Low & MacMillan, 1988). From the economic point of view entrepreneurship is the central force for economic development for any nation (Ahmad, Halim, Ramayah, & Rahman, 2013). Scholars have observed increasing evidence that there is a substantial causal relationship between entrepreneurship, economic growth and poverty reduction (Chowdhury, 2007). It is believed that the growth of the entrepreneurship ventures increase the money flow in the economy, in other words triggers the circulation of money within the economy, create job opportunities, and ultimately enhance the living standard of the society and of an economy. Therefore, scholars and policy makers now have been started to see entrepreneurship as panacea for inclusive growth, where inclusive growth refers to the contributing to profit, as well as the society (Hall, Matos, Sheehan, & Silvestre, 2012). Considering the size of the entrepreneurship, Micro, Small and Medium Entrepreneurships are most widely popular and discussed area. Study on small and medium sized enterprises (SMEs) has been maturing for the last decade as it has been regarded as significant player for the social development along with the economic development. It is perhaps one of the major economic growth engine and backbone of the economic wellbeing for the developing countries. It has also been observed that SMEs are playing vital role on the rapid socio-economic growth of the developing countries and least developed countries.

In Bangladesh, one of the least developed countries, SMEs account for a large proportion of the total establishments in various sectors. Considering the importance of the SME sector in Bangladesh, this study embarked upon to explore and sketch-out the landscape of current SME setting in Bangladesh. The issues of entrepreneurship are complex and not enough and in-depth studies have been carried out in the context of Bangladesh (Chowdhury, 2007). This chapter book institutes a scope of further comprehensive study and expected to contribute to better apprehend the opportunities, challenges, dynamics, and future course of actions for the development of SME sector in Bangladesh. With this aim the study will extensively carry out literature review, observe and understand the secondary data obtained from various organizations, and finally present a policy driven suggestions for policy makers, researchers, and businesses which would enable to develop the SME sector in a developing country like Bangladesh.

OBJECTIVE AND RESEARCH METHODOLOGY

The critical and in-depth literature comprising a holistic picture of the entrepreneurship development in Bangladesh found to be rare (Chowdhury, 2007). Till now not enough significant studies have been conducted in the academic field which would give an inclusive illustration of the small-medium enterprises in Bangladesh. In addition, discussion on the opportunities, challenges, and possible guidelines also found to be sparse. Therefore, considering the frail state of studies conducted in Bangladesh, this study has made an attempt to provide a comprehensive sketch on the geo-politic and socio-economic portrait of the country. The snapshot on such areas has triggered to embark on the main objective of the study. The main objective of the study is to offer a policy guideline for the SME development in Bangladesh based on the prevailing challenges and opportunities of the SMEs. To fulfill the objective the study will carry out review from the extant literature on Bangladeshi SMEs, identify the challenges and opportunities for growth of the SME sector in Bangladesh.

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The study is descriptive in nature. The study will also consider the secondary data available from various data bank such as, The World Bank, Asian Development Bank, United Nation Development Program (UNDP), International Monitory Fund, Global Entrepreneurship Monitor. The study will also highlight the information and recommendation from the renowned local research institutes such as, Bangladesh Institute of Development Studies (BIDS), Centre for Policy Dialogue. Combining and cross checking the obtained information, the study will offer a guideline for the SME development in Bangladesh.

BACKGROUND OF THE STUDY

Country Overview

Bangladesh is the country with ancient and historic events where civilization dates back over four millennia. During the 16th century British Empire ruled over the region and the country was part of British India till 1947. In 1947, the country was named as East Pakistan as part of Pakistan, which was basically partitioned based on the religious majority even though having completely different culture and territorial distance of 1,600 kilometres from West Pakistan. The country appeared in the global map as an independent nation in 1971 after the liberation war against Pakistan. Geographically, Bangladesh is located in the South Asia region. The Western, Northern and most of the Eastern part of the country have borders with India. The South-Eastern part of the country has a little border with the Eastern part of Myanmar.

In terms of size, Bangladesh Ranks at the 95th position in the world with the area of total 143,998 square kilometres. In comparison, the country is slightly smaller than the US state Iowa and almost 2.3 times smaller than Malaysia. The land area of the country occupies 130,168 square kilometres and water area is 13,830 square kilometres (The World Factbook, 2015).

Geographically, there are almost seven hundreds of rivers that have flown through the land of Bangladesh and the country is well known as "land of rivers". Therefore, there is abundance of reptiles, mammals, fish, bird, and duck throughout the riverine of Bangladesh. In fact, a large portion of the population is significantly dependent on the fisheries as major source of income.

Considering the formation of land from the geographic point, the country is composed of the world's largest Delta by Ganges-Brahmaputra-Meghna rivers. The existence of such number of rivers and delta land has augmented the fertility of approximately eighty per cent of the landmass and thus made the country depended on mostly in agriculture (National Encyclopedia of Bangladesh, 2015). Therefore the country's economic prosperity mainly depends on the agricultural development. According the Global Competitiveness Report (2015), Bangladesh is categorised as factor driven economy. Factor driven economy represents the economy which is mostly based on natural resources and unskilled labour. In addition, the country is still (after 44 years of independence) been considered as agro based economy, where most of the population lives in rural areas and dependence on agriculture.

Demography

With the population density of 1,222 per square kilometres, 10th in the world (The World Bank, 2015) Bangladesh stands on the world's 7th position (The World Factbook, 2015) in terms of population size. According to the United Nation Population Fund (UNFPA), in the year of 2015 the population Bangladesh has stood at 161 million where the world population touched at 7.3 billion (UNFPA, 2015).

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Almost fifty per cent of the population (50.4%) consist of male and rest are females. In the population cohort, 65% of the population is aged between 15-64 years. This is perhaps a great opportunity for the country to turn the population in to productive human resources. In Bangladesh, people commonly live serenely together across religious divisions. The religious setting in Bangladesh and its subcontinent has always been multi-ethnic. In Bangladesh, the religious demography encompasses a broad majority of Muslims (approximately between 85 and 90 per cent of the population), Hindus as the second largest group (with around 8 per cent) as well as Buddhists (0.7 per cent) and Christians (0.3 per cent) (United Nations Human Rights Commission, 2015). The report prepared by the World Bank shows that sixty six per cent (66%) of the population resides in the rural areas of Bangladesh, while thirty four per cent (34%) lives in the urban areas of the country. Even though a rapid urbanization has been observed in the country in the last two decades, still the population in the rural areas are higher where such group of people are deprived of basic human needs and infrastructures. In the rural areas most of the population are engaged in agricultural activities with less technological advancement. Adult literacy rate for the population above 15 years of age is 60% for both the genders (The World Factbook, 2015). It is obvious notion that if the literacy could be improved further, the development of commercial activities, specifically the entrepreneurship venture would accelerate. Further, the statistics by UNFPA shows that the annual population growth rate in Bangladesh is 1.2 per cent in the year of 2015 (UNFPA, 2015), which is almost similar (1.2%) to the neighbouring country, Nepal. The annual population growth rate for other neighbouring countries are: India (1.3 per cent), Myanmar (0.8 per cent), Pakistan (2.1 per cent), Bhutan (1.5 per cent), and Sri Lanka 0.5 (per cent). Other Asian countries like China has average population growth of 0.5 per cent, Thailand 0.4 per cent, and Malaysia 1.5 per cent (UNFPA, 2015). Therefore, the present situation indicates that the population of the country is one of the major challenges for the development of the country.

Human Development

The setting of human development is critically associated with the entrepreneurship creation and development. Therefore, it is also important to have glance on the human development situation in Bangladesh. According to the Human Development Report (2015) Bangladesh ranks at the 142 out of 188 countries in the world, which indicates great challenges for the smooth economic activities and development. For the last 10 years in Bangladesh, the human rights have been severely violated by different stakeholders of the country. Strikingly, human rights violation initiated by the law enforcing agencies was spotted by the media and international community. Different human right activist, development agencies, and the civil society have pointed towards the ruling party and the law enforcing agencies for disappearance of citizens. On top, it has been clearly stated by the Human Rights Watch (2016), "The rights to freedom of speech and assembly are coming under sustained attack by Bangladesh's increasingly authoritarian government". However, considering the other indicators of the human development index is not also so impressive. Still in Bangladesh the inequality in terms of education and income persist. According to the latest Human Development Report (2015), inequality in education in Bangladesh is 38.6% and inequality in income is 28.3% as of 2014. The literacy rate of the country is 58.8 per cent, unemployment rate is 4.5 per cent, labour force participation is 70.8 per cent, participation of female in the labour force is 57.4 per cent, participation of male is 84.1 per cent, and employment to population is 67.8 per cent (Human Development Report, 2015). Another important indicator for human development is health care. In many developing countries people suffer from various diseases and also suffer from inadequate

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health care facilities. Many of the population receive less quality health related treatments due to insufficient infrastructure. The most recent report published by the World Economic Forum, shows that in Bangladesh, only 59% of the population are satisfied with the health care quality, whereas in the country like Vietnam 72% per cent, in Bhutan 90 per cent, and in Cambodia 79 per cent people are satisfied with the health care provided by the government as basic need and right of the citizen (Human Development Report, 2015).

Economy

Bangladesh has been considered as 44th largest economy in the world (The World Bank, 2015). It has been also identified as one of the Next-11 countries along with Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea and Vietnam which holds the potentiality to be in the largest economies club. This Next-11 would be another group of countries which is expected to grow beyond the BRICS (Brazil, Russia, India, China, and South Africa) (Goldman Sachs Investment Bank 2007).

The substantial contribution for such progress in the economic arena is due to the contribution of foreign remittance, and garments export to the Bangladesh economy. The scenario of foreign direct investment in the country is quite unpleasant till 2015 since the year of 2007, due to political instability. According to the The World Bank (2015) the foreign direct investment is only 1.4 per cent of the total GDP of the country. Whereas in country like Cambodia the foreign direct investment is 8.8 per cent, in Vietnam it is 5.2 per cent. The contribution of export and import to the gross domestic product of the country has been recently dived down. According to the Human Development Report (2015), progress of Bangladesh till 2005 in terms of economic and human development was remarkable and encouraging. However, due to political instability and government mismanagement and corruption, the researchers and political scientists in Bangladesh believe that the economic progress is weakening down. The data prepared by the The World Bank (2016) also validates such claims. According to the The World Bank (2016), 19 per cent of the GDP is contributed to the export of goods and services in Bangladesh, whereas country like, Bhutan the contribution of export of goods and services to the GDP is 36.3 per cent, in Vietnam it is 86.4 per cent, and in Cambodia 62.3 per cent.

The World Bank (2015) has grouped Bangladesh in the category of lower middle income country in the world as the gross domestic product (GDP) per capita is US$1086 and gross national income (GNI) per capita is US$1080 (The World Bank, 2016). It has been reported that Bangladesh has upheld a notable track record on economic growth and development. For last few decades the economy has experienced nearly on an average 6 per cent of economic growth per year. In spite of bright track record, around 47 million people are still below the poverty line (The World Bank, 2015) and improving access to quality services for this vulnerable group is a priority. In the global platform the country is mostly known as ground of millions of poor people who earned less than US$2 per day. However, fortunately, the level of poverty has dropped by nearly a third, coupled with increased life expectancy, literacy, and per capita food intake. According to World Bank's web site, currently the world holds in total more than two billions of poor people who live on equal or less than US$2 a day and south Asia contains half of those population (The World Bank, 2014, 2016). Therefore it is very important to alleviate the poverty level in this region. According to the databank of The World Bank (2015) the poverty rate in Sri Lanka is 8.9 per cent in 2010, Pakistan 22.3 per cent in 2006, India 29.8 per cent in 2010, and for Bangladesh in 2010, its poverty rate was at 31.5 per cent, comparing to the poverty rate of 58.8 per cent in 1991 (Imai & Azam, 2012). This indicates that from 1991 until 2010 poverty has been reduced by an average

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percentage of 1.43 per annum. The World Economic Forum published in their Human Development Report (2015) based on the data of 2011 that 49.5 per cent of the total population in Bangladesh suffers from multidimensional poverty. In this respect, Ghana which has an almost similar GNI per capita to Bangladesh, the holds 31.2 per cent population who suffers from multi-dimensional poverty, while Myanmar the percentage is 31.8.

Comparing the number of poor people of Bangladesh (56 million till 2011) with other countries the it brings out the fact that this figure (56 million) exceeded the total population of Korea Republic (48.8 million), Canada (34 million), Malaysia (27 million), or Australia (22 million) (The World Bank, 2011). As such, this data demonstrated the severity of poverty in Bangladesh. According to the General Economics Division Bangladesh (2010), poverty remains in the rural areas of the country due to inadequate access to technology and lack of infrastructural improvements. It has also been suggested that inequality in income, poor infrastructure, lack of education, poor health, inefficient public sector, lack of work opportunities, low wage rate, population growth, and lack of human resource development are among the major contributing grounds of poverty in Bangladesh (Hossain, 2005; Hye, 1996; Smith, Khan, Frankenberger, & Wadud, 2013).

In the effort to curb poverty, a number of poverty alleviation initiatives, e.g. micro-credit, development of health and education, infrastructural development, and social safety net have been carried out mostly by the government and donor agencies. All these stakeholders have been pursuing the alleviation poverty in Bangladesh since its independence in 1971. Moreover, apart from the traditional techniques, it is recognized that the private sector also contributes towards poverty alleviation, mainly through employment creation (Kolk, Rivera-Santos, & Rufín, 2013). In a similar vein, Davis (2011) surveyed on the life history of the poor in Bangladesh to explore the factor that will improve the people's life. It was revealed that 46% of the surveyed respondents gave credit to 'businesses' as their means to escape from poverty.

Small-Medium Entrepreneurship in Bangladesh

Speeding up socio-economic development, eradicating poverty, and reducing income disparity and regional inequality are the predominant objectives of the current strategic development paradigm of Bangladesh. One of the crucial and prolific strategies for achieving these goals is to create productive employment in the manufacturing and service sector by pulling out labour force out of the unproductive sectors. It is believed that nurturing the small and medium enterprises (SMEs) is the appropriate means to rightly address these national development agendas (Rahman, Amran, Ahmad, & Taghizadeh, 2015a). According to the researchers, achieving double digit growth in manufacturing and services the development of SMEs is considered as critical and obligatory. Developed micro, small and medium enterprise activities in the rural and backward regions comprise a vital constituent of the strategy for rural development and reduction of poverty and regional disparity (Bakht & Basher, 2015).

It has been a proven fact vowed by the scholars that entrepreneurship business especially the micro, small, medium enterprises (SMEs) is the key sector for the developing countries as they play a vital role in the national GDP (Shariff & Peou, 2008). In China, 99.8% of the total number of businesses are SMEs and contribute to 58.5% of total annual GDP, and also contribute 75% of new jobs (Sun, Buys, & Wang, 2011). In Bangladesh, the scenario is however less impressive, as micro, small, medium entrepreneurship business contributes only 25 percent of the total GDP (Rashid, 2012) though the country is having satisfactory upward GDP growth, which is 6.7 percent (The World Bank, 2012). Bangladesh 's SME sector contributed 40 per cent of gross manufacturing output, 80 per cent of industrial jobs, and around

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25 per cent of the total labour force in 2003 (Chowdhury, 2007). Hence, it is important for country like Bangladesh to encourage the enhancement of entrepreneurship business in diverse range of ways. In the context of Bangladesh, the development of Small and Medium Enterprises (SMEs) can be considered as an important means of poverty alleviation and ensure the rapid industrialization (Rahman, Amran, Ahmad, & Taghizadeh, 2015b). It has been argued by the authors that the performance of SMEs of Bangladesh especially in terms of employee turnover rate, quality assurance, allocation of funds, marketing activities have been found significantly below the international standard (Rahman, Amran, Ahmad, & Taghizadeh, 2014; Rahman & Das, 2005).

Defining SMEs is one of major challenges. Due to the diverse socio-economic situation, different countries and organizations have defined SMEs differently. According to the European Union (2003), SMEs are illustrated as enterprises, which have at most 250 employees and an annual turnover not exceeding 50 million Euros. Further, there is the distinction of small enterprises which have fewer than 50 staffs and less than 10 million Euros turnover and micro-enterprises comprises of less than 10 employees and turnover of 2 million Euros per year.

According to the The World Bank (2010), micro-enterprises are those which have up to 10 persons and $100,000 turnover. The small enterprises have fewer than 50 staff members and up to 3 million US dollars turnover and medium enterprises are defined as enterprises, which have at most 300 employees and an annual turnover not exceeding 15 million US dollars.

The neighbouring country of Bangladesh, Vietnam, where the development of SMEs is striking, has classified and defined SMEs in their own way which aligns with their economic, social, and demographic context. For the categorization of micro-enterprises, the number of workers should be less 10. Small enterprises are those which have employees between 10-200 and total capital having less than 20 billion Vietnamese Dong. Enterprises which have employees between 200-300 and total capital more than 20 billion but less than 100 billion Vietnamese Dong are considered as medium enterprises.

The government of Bangladesh has categorises SME into two broad classifications, which are manufacturing enterprises and non-manufacturing enterprises. In the year of 2011, the central bank of Bangladesh has specifically numbered the classification of SMEs. According to the Bangladesh Bank (2015), in manufacturing sectors of the SMEs, medium enterprise would be those with assets worth US$14 to US$42 million (minus land and factory building, and including replacement value) and/or 100 to 250 of workers. In service industry, medium enterprises will be those which employ 50 to 100 employees and have assets (defined as above) worth of US$ 0.1 to US$ 2.1 million. In manufacturing, small enterprise would be those with assets worth US$71 thousand to US$1.4 million (defined as above) and/or 25 to 99 workers. In service industry, small enterprises will be those which employ 10 to 25 and have assets (defined as above) worth US$7 thousand to US$1.4 million.

Different consulting bodies and reports from different organization suggest that sub-sector of SMEs should be identifies and classified. According the report published by World Economic Forum (2013) various types of SMEs such as village handicraft makers (weaving, embroidery, etc.), potteries, dying, small machine shops, restaurants, knitting, small dairy process, etc. are becoming increasingly important to economic development of developing nations. In the same line, Bangladesh Bank has categorized 132 sub-sectors for the SMEs in Bangladesh such as, agro-processing, agro-based activities, horticulture, fisheries, Information technology, dry cell batteries, bio gas plant, light engineering, renewable energy, and handicrafts (Bangladesh Bank, 2015).

From the Global Entrepreneurship Monitor report, it has been revealed that total early-stage entrepreneurial activity which is the percentage of 18-64 population who are either a nascent entrepreneur

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or owner-manager of a new business is 12.8% in Bangladesh. In the country, 11.6 percentage of 18-64 population are currently an owner-manager of an established business for more than 42 months. 72 percentage of 18-64 population in Bangladesh (individuals involved in any stage of entrepreneurial activity excluded) have indicated that fear of failure would prevent them from setting up a business (Global Entrepreneurship Monitor, 2011). It has been also reported that Bangladesh couples with affirmative insights of opportunities to start a business with low perceived capabilities and high fear of failure. From the survey by the Global Entrepreneurship Monitor (2011), it has been noted that seven out of ten individuals see good opportunities to start a business while concurrently most of these individuals contend that fear of failure would preclude them to set up a business. In the human development index Bangladesh ranks 146 out of 187, Global Competitive Index 108 out of 142, in the doing business index Bangladesh ranks 122 out of 183 (Global Entrepreneurship Monitor, 2011). From the data it can be identified that the rate of perceived capabilities was the second lowest and the fear of failure was the highest in Bangladesh in global comparison. However, service sector is playing more roles in Bangladesh in both TEA and EBA in comparison to similar economies. Making a comparative analysis, it can be infer that Bangladesh still needs to go forward for the development of entrepreneurship activities for which SMEs sector should be given higher importance. The report published by the Global Entrepreneurship Monitor (2011), indicates that 64 per cent of the entrepreneurs in Bangladesh perceive that there is immense opportunities for the entrepreneurship ventures, which is higher than other Asian countries like Iran or Pakistan. On the contrary of seeing opportunities, 72 per cent of the entrepreneurs possess fear of failures of their venture. Perhaps this is one of the most important issues that need to be consider with attention and need to scrutinize. However, the entrepreneurial intention is one of the vital issues in the entrepreneurial domain as well as in the entrepreneurship research. It has been found that only 25 per cent of the surveyed responded embeds entrepreneurial intention. This could happen due to the setting of entrepreneurial environment, which is overshadowed by the fear of failure. Perhaps such fear of failures constitutes due to the impediments and limitations of the development of the entrepreneurship venture.

Table 1. Comparison of entrepreneurship indicators

	Bangladesh	**Pakistan**	**Iran**
Perceived Opportunities	64%	40%	32%
Perceived capabilities	24%	43%	46%
Fear of failure	72%	35%	33%
Entrepreneurial intentions	25%	23%	30%
Media attention for entrepreneurship	49%	48%	58%
Nascent entrepreneurship rate	7.1%	7.5%	10.8%
New business ownership rate	7.1%	1.7%	3.9%
Early-stage entrepreneurial activity (TEA)	12.8%	9.1%	14.5%
Discontinuation of business	2.5%	1.6%	6.4%
Female Necessity driven	34%	81%	24%
Male Necessity driven	26%	43%	56%

Source: Global Entrepreneurship Monitor (2011).

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The Table 1 shows an comparative picture of few entrepreneurship venture indicators of two countries (Iran and Pakistan) along with Bangladesh.

The participation of female in the entrepreneurship business is increasing in Bangladesh. Historical time shows that female population of the country were more inclined towards home making activities. But as the days are flowing through, capitalism is placing in the society with deep root; the incorporation of female population in the economic activities is becoming integral. In fact, it can be assert that the role of micro-credit program and Village Phone Program initiated by the Noble Laureate Professor Yunus have revolutionized the entrepreneurial setting of Bangladesh. The village phone program was supported by Grameen Bank, the mother institution of micro-credit and GrameenPhone, a leading telecommunication company in Bangladesh. The program facilitated the rural women of Bangladesh to be an entrepreneur. The program had impact the empowerment of the rural poor women in the country, which later contributed the overall national development. Under the VPP, the women entrepreneur could take out loans to buy a phone. Grameen Bank facilitated credit to the equivalent of US dollar 133 to each of these women, who were termed as Village Phone Operators or VPOs (Rashid & Rahman, 2009). GrameenPhone provided the technical and network support to the women entrepreneur. Each of the phones was under possession of the VPOs, who is responsible for expanding telecommunication services to village people and also adjacent areas. As part of the entrepreneurship business VPOs collects call charges according to the prescribed rate by GrameenPhone. This business model have facilitated both for the entrepreneurs and GrameenPhone to earn revenue (Rashid & Rahman, 2009). This has actually turned the entire community into the customer of GrameenPhone (Anderson, 2006). The VPP has significantly changed and contributed to the life of rural women in Bangladesh. It has opened up a way to earn their livelihood, increased the role in decision making, and enhanced their dignity relative to the rest of the community (Alam, Yusuf, & Coghill, 2010). From the societal perspective the VPP has able to eliminate the middlemen in trade and business of rural areas, once who were very powerful. It has also helped the rural micro-entrepreneurs to develop new business contacts (Alam et al., 2010). The concept of VPP is continuing its legacy but with different form. As reported by the Human Development Report (2015), in many villages in Bangladesh female entrepreneurs use their phones to provide paid services for neighbours. Many people sell phone cards or sell and repair mobile phones across developing countries, specifically in Bangladesh. Recently, in Kenya, an entrepreneurial initiative named M-Pesa has created much of interest and appreciation due to its effectiveness in the domain of social innovation. M-Pesa, a mobile money transfer service has created a scope to flourish entrepreneurship ventures in Kenya. Similarly, in Bangladesh a mobile money transfer services has emerged, which is not only a classic example of social innovation but also contributing a lot to create small scale entrepreneurship in Bangladesh.

Therefore, it can be comprehended that the scenario of SME sector in Bangladesh is mixture of challenge and great opportunities. To promote the development of entrepreneurship ventures, private organizations are playing important role in Bangladesh. However, as a principal stakeholder, the governed and other government related autonomous bodies have engaged themselves in the development process of SME sector in Bangladesh. To promote the development of the SME sector, there are indeed various financing scheme for the development of SME sector in Bangladesh initiated by Bangladesh Bank, SME foundation, and leading NGOs. Having said, still there are wide ranges of challenges for the development of SMEs in Bangladesh, which has been discussed in the following section.

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CHALLENGES OF ENTREPRENEURSHIP DEVELOPMENT IN BANGLADESH

Policies, regulations, discussions, and initiatives have been taking place in Bangladesh by the all government during their tenure. Despite of the fact the SME sector is not flourishing in the way that it should have been. In fact, the entrepreneurs of SME sector in Bangladesh face a number of difficulties in their business. Though the promotion of SME development has been a stated objective of successive governments since 1971, the comprehensive macro policy system has sustained to keep on biased against SME development in numerous ways and distribution of public sector investments, trade and taxation policies in particular have mostly been anti-SME development in character and contents (Chowdhury, 2007).

According to Yusuf and Schindehutte (2000), there are some factors which push the entrepreneurship development specifically during the adverse economic condition of a country. These are mainly, the need for subsistence, the need to innovate to survive, need to quickly recognize and exploit the opportunities even in the declining economic situation. From different literatures it has been revealed that these nascent entrepreneurs in the developing countries need supports to make the business a successful one. Entrepreneurship throughout the world faces different challenges and barriers from different context. In a study on tourism conducted by Lordkipanidze, Brezet, and Backman (2005) found impediments of entrepreneurship such as lack of finance, high government tax, administrative barriers, negative social attitude towards entrepreneurship specifically in rural communities, low skill level, resistance to change, lack of awareness, and lack of information on market. In a developing country like Bangladesh micro, small, medium entrepreneurship business faces barriers such as access to appropriate information (Rahman & Yousuf, 2010), frequent harassment by government officials who extort money and regulatory barriers (Khan, Nazmul, Hossain, & Rahmatullah, 2012; Rashid, 2012), access to finance (Rahman & Yousuf, 2010; Rashid, 2012), poor infrastructure, including bad roads inadequate water shortage, erratic gas and electric supply, and a poor telecommunications system (Khan et al., 2012; Rashid, 2012). Further, scholars have noted that in Bangladesh SME is characterized by Low capitalization and limited assets, geographical diversity and high mortality, poor credit knowledge, very limited access to formal source of credit (Chowdhury, 2007). Miah (2007) stated that the foremost limitations for SMEs in Bangladesh are lack of adequate investment, lack of modern technology, irregular/inadequate supply of power, poor physical infrastructure and high transportation cost, poor information about market opportunities and requirements, inadequate availability of raw materials, lack of research & development facilities, absence of operative and transparent legal system, difficulties in accessing technology, credit constraints, and most importantly the political instability.

In a survey conducted by Chowdhury (2007), it has been revealed that infrastructure facilities are one of the significant impediment for the development of SME sector. Specifically, the respondents reported that frequent power failure, load shedding, poor transport facilities, inadequate telecommunication services are the major barriers for the entrepreneurship venture. The study shows that 83 per cent of the respondents were not at all satisfied with the required infrastructure for the development of the SME ventures (Chowdhury, 2007). According to the World Economic Forum (2015), Bangladesh ranks on 107 position out of 140 countries that they have surveyed. It has been reported by the World Economic Forum (2015), Institutional setting is ranked 132, Infrastructure is in 123, Business sophistication ranked 117 out of 140 countries in the world. Further, the report highlighted the most problematic factors of doing business in Bangladesh. The most problematic factors of doing business in Bangladesh are mainly: Corruption, Inadequate supply of infrastructure, Government instability/coups, and Inefficient government bureaucracy. However, there are other factors as well, which includes: Access to financ-

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ing, Policy instability, Tax rates, Complexity of tax regulations, and so on. While focusing only on the infrastructure, it has also been revealed that Bangladesh ranks at 124 out of 140 countries in terms of quality of overall infrastructure. In quality of roads the country stands at 113, quality of railroad it is at 75th position, quality of air transport infrastructure the country stands at 121 out of 140 countries (World Economic Forum 2015). It has been also asserted by the scholars that Poor transport infrastructure or inefficient transport services mean higher transportation costs and longer time of delivery, which create bottlenecks to the development of healthy entrepreneurship since profit opportunities would become limited (Chowdhury, 2007). Further, supply of electricity is a major obstacle for the SME sector. Sufficient supply of electricity is vital for the inclusive development of the country. Without electricity it is in fact difficult to roll out the socio-economic activities in any given country. In Bangladesh, even after 45 years of independence, 40.4 per cent of the population still leaves without electricity (Human Development Report, 2015).

Legal and regulatory framework is one of the impediments for the development of SME sector in Bangladesh. According to the scholars, the lack of legal and regulatory framework, the ventures in Bangladesh either SME or large corporations are facing severe difficulties (Tsunoda, Ahmed, & Islam, 2013). From the study by Chowdhury (2007), it has been revealed that majority of the entrepreneurs reported that there is a prevalent lack of confidence in the legal and regulatory framework of the country, which is characterized by weak and non-transparent administrative and judicial systems, inconsistencies in enforcing laws, bureaucratic interpretation of rules, lack of firm political commitment, lack of accountability, hooliganism and political muscleman ship, lack of rule of law, and lack of control of corruption. For the last two decades there have been political turmoil continuing in the country. The credibility of the administration and to an extent the judicial system has been controversial. Specifically, the quality of the government administrative wings presumes to have deteriorated than earlier times. It happened mainly due to the political interference to the administration. Further, the rule of law in the country for the last decades is a major point issue. Local and international human rights organizations, political parties in the countries are questioning on the rule of law in the country. In fact, from the political view, currently, the country is turning to an authoritarian regime, where the government has set a puppet opposition party to legalise the parliamentarian system. During last few years, thousands billions of dollars have been looted from the public bank only by few persons who are alleged to have close connection with government leaders. Therefore, the in a sense, there is not rule of law, and no effective initiative to hold back the on-going race of corruption. Such situation is surely hindering the development of SME sector in Bangladesh.

Entrepreneurship is a multifaceted process that require for drive, vision, and tenacity for the development of business. The expansion of this route hinge on the educational system that is the most impelling factor for increasing human skills, knowledge, attitudes and values as well as encouraging creativity. The study by Chowdhury (2007), shows that 66 per cent of the total respondent have identified entrepreneurship education and training as a constraint for entrepreneurship development in Bangladesh.

Instable political climate is one of the major barriers for the SME development. A favourable and smooth political environment is essential for the development of any business in any country. Regrettably political environment in Bangladesh are too much contaminated. Political structures and the settings are still remaining hostile. Personal and political antagonism between political rivals, frequent strikes, lack of respect for elementary principles of democratic governance have become the principal characteristics of political system of the country. All these have raised the culture of corruption, bribery, and destructive

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attitudes of the politicians. Such situation has created an absenteeism of the rule of law and dispiriting the development of entrepreneurial talent and initiative in the country.

The balance of participation among male and female is also hindering the growth of the SME sector in Bangladesh. Specifically can say, gender discrimination is one of the reason that is discouraging the female populace to participate in the commercial activities in the country. Still, in many parts of the country female cohort of the population is in danger. Female are not encouraged to work or carry out entrepreneurial activities in the society. According to the scholars, Bangladesh's labour market is a typical in the extent to which women do not participate in the formal labour market (Bauchet & Morduch, 2013). That remains one of the challenges for the inclusive development of the SME sector in Bangladesh. The intense dearth of required capital to an extent is hindering the development of SME sector and small scale ventures. Inadequate personal and family savings and an absenteeism of financial innovation severely limit the growth prospects of promising start-ups in developing countries.

However, it is true that these challenges are not those which cannot be overcome. If there is serious intention of the government and the concern bodies, it is much of sure that SME sector in Bangladesh can flourish rapidly. Therefore, it is important to consider the challenges and capitalizes the existing opportunities for the development of the SME sector in Bangladesh.

OPPORTUNITIES OF ENTREPRENEURSHIP DEVELOPMENT IN BANGLADESH

Sarder, Ghosh, and Rosa (1997) found that firms which are receiving supports services significantly take hold of higher growth resulting in business success. However, the support services are mainly from the different organizations which are considered to have more institutionalized process such as: private organizations (Islam & Tsuji, 2011; Osmonalieva, 2011), Non-government organizations (Dahan, Doh, Oetzel, & Yaziji, 2010; Webb, Kistruck, Ireland, & Ketchen, 2010), government organizations (Ahmad, Ramayah, Wilson, & Kummerow, 2010; Hansen, Rand, & Tarp, 2009). Based on the research literatures and real business practices it has been found that these organizations support the entrepreneurs in different way, in different context, for example, providing financial assistance, training, information and technological support, infrastructural support etc. Ultimately all these supports collectively may contribute to the entrepreneurship business success in Bangladesh.

As mentioned earlier, Bangladesh holds a large number of populations which is an immense opportunity for the development of the SME sector. Due to the large population there are various ways to explore the opportunity to utilize the waste materials into renewable energy. According to Human Development Report (2015), a number of 129,000 of population has the employment potential of renewable energy. Renewable energy business venture not only will contribute to the development of SME sector, but also it will generate a large number of employments.

Bangladesh has coastline of 580 kilometers as the whole southern part is faced towards the Bay of Bengal. That gives an opportunity for the country to develop the ship breaking industry. Ship breaking is a multibillion-dollar industry in which large commercial vessels are recycled at the end of their operational lives, typically at 25–30 years. Rather than leave them to gradually weather away and release large volumes of harmful pollutants to the environment, there is an active business in recycling all fuel, oils, engine parts and fixtures, followed by the steel hull. Currently, the top five ship-breaking countries are Bangladesh, China, India, Pakistan and Turkey. Nurturing the ship breaking industry would give leverage to the SME sector to develop.

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Handicrafts industry has long history of success and legacy in Bangladesh. The Moslin, Jamdani, and jute made products still are well attracted in the international markets. The design and the procedure of those products are unique therefore having great opportunities to flourish.

Most importantly, the young age cohort is the biggest opportunity for Bangladesh. It has been observed that this group of youth are doing immensely good in their own field. Young aged cohort is coming up with diverse range of innovative ideas, which actually are not nurtured properly. In many international competitions they have showed their talents and proved their competencies. This group of people could be potential opportunity for the development of SME sector in Bangladesh.

Innovativeness of the people in Bangladesh is one of the opportunities, which perhaps can be promoted and should be given priority. While people are lack of supports, they tend to come up with innovative solutions by own selves. In fact, it has been observed that poverty sometimes opens up the opportunity to innovative something unique that essentially solves the problems faced by the marginalised group. As, there are large number of people still under the poverty line, the poor people perhaps can be the source of further SME sector development.

The most interesting opportunities lies within the light engineering industry in Bangladesh. As said before, people in Bangladesh are innovative; therefore, the light engineering sector can be potential area for the overall SME sector development.

Based on the automobile industry in Bangladesh, SME sector could flourish. In fact, there is a place in Bangladesh, which is famous for theft car and automobile parts. Unfortunately the law enforcing agencies are indirectly supporting them to operate stealing cars and automobile parts. These people are truly talented as they can easily fix cars and replicate automobile parts. It is a contention that rather than considering them as group of social destructor, they can be considered as potential source for the automobile based SME sector in Bangladesh. In the following sections the possible recommendation would be provided.

The fertility of the soil in Bangladesh is well known due to the geographic structure and for the formation of land (delta land). The agro business thus possess a great opportunities for the development of SME sector in the country. Already, agro-products like strawberry have started to produce in the country for the first time. Similarly, other fruits and vegetable cultivation could be prospective for the entrepreneurial business in the country.

Bangladesh is well known for arts, culture, and literacy. Publishing house in Bangladesh are famous for publishing books, novels, text books, and etc. However, embracing the strong previous experience, this industry may join to the international publishing industry where, Bangladesh could be the back and production office for the academic and research journals. Due to the lower costing, international publishing agencies would be interested to bring in business in Bangladesh thus the scope of opening up publishing based SME sector will be instituted.

Bangladesh is a country of full potential with a large number of populations. If these opportunities are capitalized it is hoped that the SME sector in Bangladesh would be one of the strongest SME sector in the region. For that, it is important to have policies and a strong body which can implement those policies. Therefore, this chapter intends to provide some recommendation which would contribute to the development of the SME sector in Bangladesh.

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RECOMMENDATION

Small-medium Enterprise (SME) sector development is the most important task for the government of Bangladesh. For long period of time this sector has been in the talk for the politicians and bureaucrats. Since the independence of the country citizens are continually been fed with hopes and aspiration that SME sector will be given highest priority. Nevertheless, for last few years, it seems that the pace of SME sector development is gearing up. Due to the high competitive environment, entrepreneurs are taking initiatives of their own to establish business venture. There have been less policy recommendation based studies have been carried out in context of Bangladesh. Based on the discussion in this chapter, the study intends to put up the following recommendations for the SME sector development in Bangladesh.

Micro Level Recommendation

- Entrepreneurship education is one of the vital means to develop the SME sector in Bangladesh. Still in the education system the entrepreneurship courses are not been made mandatory. The entrepreneurship education should start from the higher secondary level in the country. Entrepreneurship courses found to be taught only in business related programs in the country. However, it is important to include the entrepreneurship courses in the higher secondary level of the education system in Bangladesh. In addition, there should be separate courses as 'practical', where students need to create an entrepreneurship venture within their institutional premises and run the business for at least one year. Perhaps based on the running the business students will be evaluated in the exam.
- Entrepreneurship training program should be formalized in each district town of the country. Perhaps, entrepreneurship training course certification could be a pre-requisite to obtain financial assistance for the business. During the training program, entrepreneurs should be given information technology related training as well which will increase their technical competencies. From the study by Rahman et al. (2015b), it has been revealed that strategic competencies, technical competencies, conceptual competencies, and opportunity competencies are vital for the small scale venture entrepreneurs. Therefore, perhaps the government and the non-government organizations can come up with training program which would enhance the entrepreneurial competencies of the SMEs owners and managers. Such training program presumes to enhance the managerial capability of the SME entrepreneurs as well.
- There should be a strong well-built network among the SMEs in Bangladesh. SME foundation of Bangladesh should play more effective role to create a network among the SMEs. Unfortunately, still there no database for the SMEs in the country. To nurture the SMEs it is important to have detailed database for the SMEs operating in the country. Such data base would not only assist to build network, it will also open up the scope to get diverse range of benefits and business scheme for the business. SMEs should be connected with each other through the database which will allow to source and distribute product and services.
- A sturdy incubation centre based on sub sector is important for the development of the SME sector. This incubation centre will generate new business ideas for the particular sub-sector and source for potential market of the product and services.
- The SMEs business owner should be given certain level of priorities in doing banking and dealing with the government agencies. Perhaps the SMEs owner could be provided with special identity card which will allow them to get leverage for the purpose of their business.

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Macro-Level Recommendation

- It is important to ensure a market-oriented economy based on sound legal and regulatory structures for the development of the SME sector in Bangladesh. For smooth functioning of the market economy, Bangladesh needs a sound legal and regulatory structure backed by the rule of law so that existing business can thrive and new businesses can emerge freely. A stable democratic system with binding rules and structures that govern all players is the best guarantor for political stability. Political and economic institutions must be built up in Bangladesh for practicing democracy geared at establishing a stable and a law enforcing government
- To create an entrepreneurial environment that is driven by friendly rules and regulations encourages the development of SMEs. And the foremost role in this scenario is played by government institutions. Effective government institutions must be open and decentralize their administrative structure which will allow a smooth flow of procedures. The government of Bangladesh should also be free from corruption and create conditions for all citizens to participate and compete in the market place without too much regulation.
- Intensifying markets for and nurturing competitiveness of SMEs (creating surroundings for SMEs to have access to information on markets and goods' prices and support them to develop markets and sell their products; supporting in presenting, introducing, promoting, and channelling their potential products; enabling participation in goods supply and service delivery under the plans on goods procurement with city corporation budget sources.
- Inspiring SMEs to accelerate export and build favourable conditions for the SMEs to collaborate with foreign partners, multiply goods and service export markets. The government of Bangladesh can come up with export promotion-support program, that will enable them meet up extra cost to create linkage with the foreign partners.
- Government should encourage to create a social entrepreneurship trend among the existing SME venture which will not only address the development of the SME but also it will assist to the development of the socio-economic sector of the country. Through the social entrepreneurship venture, the SME can achieve their financial success as well as address the need of the society and thus contribute to the social development in the country. Therefore, a spate scheme for the social entrepreneurship should be introduced in the country.
- In Bangladesh, the technology based entrepreneurial activities are popularizing. Therefore, the government should encourage to establish technological based business venture thus turn the existing entrepreneurs to techno-entrepreneur.
- The infrastructure facilities especially the, road communication, electricity, and internet should be given highest priority in order to boost up the SME sector.
- SMEs should be linked with the educational institution, particularly with the universities. This will create a win-win situation for universities and SME venture. Universities should be given additional budget to carry out research on SME sector, which can help to develop the SME sector. SMEs also can gain diverse knowledge from the universities.
- Research & Development centre should set up in every district of the country which will be under one university or highest educational institution of that particular district town,
- The government should also set up innovation centre in each district town of the country. From the Human Development Report (2015), it has been revealed that Bangladesh is far behind compare

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with other countries in innovation. If the innovation centre is being set up in each district town, there will be a domino effect which will ultimately influence the SME development in Bangladesh.

- Large private organization should also be encouraged by the government to collaborate with small-medium enterprises for sourcing their supplies and raw materials. Large private organization may also create an environment which will enable to transfer of knowledge and skill to the SME ventures in the country.

CONCLUSION

SME is indeed a vital player for the overall development of the country like Bangladesh. Previous studies have offered different guidelines for the SME development in Bangladesh. However, time has been changed, new things, new issues are coming up in the current setting of SMEs in Bangladesh. Therefore, in the current context of Bangladesh, it is important to revise the landscape of SME in Bangladesh. With the available concurrent data, the study believes to contribute to knowledge building on SMEs in Bangladesh. The study will be helpful as guideline for the policy makers, entrepreneurs, other stakeholders, suppliers, researchers, and also academician for the further course of actions.

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KEY TERMS AND DEFINITIONS

Grameen Bank: Grameen Bank is the mother institution of micro-credit and GrameenPhone. a leading telecommunication company in Bangladesh. The Grameen Bank facilitated the rural women of Bangladesh to be an entrepreneur and contributed the overall national development.

Poverty in Context of Bangladesh: In context of Bangladesh, poverty has been referred to the inequality in income, poor infrastructure, lack of education, poor health, inefficient public sector, lack of work opportunities, low wage rate, population growth, and lack of human resource development.

SMEs in Bangladesh: In manufacturing sectors of the SMEs, medium enterprise would be those with assets worth US$14 to US$42 million (minus land and factory building, and including replacement value) and/or 100 to 250 of workers. In service industry, medium enterprises will be those which

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employ 50 to 100 employees and have assets (defined as above) worth of US$ 0.1 to US$ 2.1 million. In manufacturing, small enterprise would be those with assets worth US$71 thousand to US$1.4 million (defined as above) and/or 25 to 99 workers. In service industry, small enterprises will be those which employ 10 to 25 and have assets (defined as above) worth US$7 thousand to US$1.4 million.

SMEs' Barriers in Bangladesh: Access to appropriate information, frequent harassment by government officials who extort money and regulatory barriers, access to finance, poor infrastructure such as bad roads inadequate water shortage, erratic gas and electric supply, and a poor telecommunications system, low capitalization and limited assets, geographical diversity and high mortality, poor credit knowledge, very limited access to formal source of credit, lack of modern technology, irregular/inadequate supply of power, poor physical infrastructure and high transportation cost, poor information about market opportunities and requirements, inadequate availability of raw materials, lack of research & development facilities, absence of operative and transparent legal system, difficulties in accessing technology, credit constraints, and most importantly the political instability.

Strategic Development Paradigm of Bangladesh: The predominant objective of strategic development paradigm of Bangladesh is speeding up socio-economic development, eradicating poverty, and reducing income disparity and regional inequality.

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Chapter 26
Zakat and Its Socio-Economic Merits:
A Holistic View towards Eradication of Poverty

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ABSTRACT

The chapter investigates the role Zakat (alms giving) in eradicating poverty around the world. It (Zakat) is one of the five main pillars of Islam; it is the practice of charitable giving by Muslims based on accumulated wealth and is expected to be paid by all practicing Muslims having the financial means. As part of the study, a questionnaire that consisted of five questions to enquire about how Zakat can eradicate poverty was administered to 200 Muslim people living in the United Arab Emirates (UAE). Further, the questions were designed targeting the core goals of a Zakat institution that also reflected the Muslims psychometric behavioural aspects. Islam has 1.57 billion followers, making up over 23 percent of the world population (Pew Research, 2011). With such a vast population, the role of Zakat in alleviating poverty is an achievable objective.

INTRODUCTION

Zakat is one of the five main pillars of Islam, it is the practice of charitable giving by Muslims based on accumulated wealth and is expected to be paid by all practicing Muslims having the financial means. It (Zakat) is a mandatory 2.5 percent take on the wealth of well-to-do Muslims; it is endogenously infused into preferences and behavior by spiritual values of all Muslims. Recent studies had shown a need of exploring the investment of the zakat treasuries in helping the poor being micro-entrepreneurs and act as members of the society, benefiting the economic productivity of their Nations. The underlying value

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of zakat is sustainability, as the obligation is predicated upon sustainable yearly contribution from ones wealth, and it further acts an impetus for labor-intensive enrichments, resiliency and self-dependency of the impoverished. Further, Zakat financing plays a catalytic role in ethical community development, considering its importance in entitlement and empowerment formation and human resource development (Silva & Choudhury, 2006).

Throughout the Islamic era, the management of Zakat was among the duties of Muslim leaders, until the crash of the last Muslim caliphate in Turkey in the early twentieth century. Zakat is the first universal welfare system in human history that has played a significant role in smoothing the consumption of the poor. There had been times in history during the reigns of caliphate Omar Ibn Abdul-Aziz, an Umayyad Caliphate and ruled from 717 to 720, he was known to be among the most just and pious leaders in his time, hewas disdainful from worldly luxuries and extravagance, and during his reigns purported notions of fair distribution of wealth, it was even said that at the end of his rule, there were hardly poor people to give charity money to.

BACKGROUND

Aims of This Study

This study aims to define the role of Zakat in the Muslim world, not merely as a divine one-off charity giving, but as a holistic economical fiscal stream that could shape-up a healthy fiscal model. The legality of Zakat investment will also be depicted not only by an implied meaning; but a more holistic approach whereby the underlying values for the law will be highlighted (Maqasid-al-Sharia).

Hence the aims of this research and chapters are as follows:

1. To understand Zakat and its rewarding paradigm,
2. To discuss the role of Zakat and its underlying values,
3. To portray Islamic economics and the religions values, and looking at Islamic Law,
4. Shed light on the Zakat institution in UAE, and how (if at all) to improve its administrative planning, governance, and efficiency,
5. A glimpse on the historical background of zakat, and building a constructive argument about its socio-economic gains,
6. And finally, this study conducted empirical research to find the best contemporary ways to improve the efficiency of Zakat institution most of which echoed respondent's feedback.

The United Arab Emirates, Islam, and Zakat

The United Arab Emirates (UAE) is a nation located in the Arabian Peninsula; it has a total landmass of 83,600 Km2 on the Arabian Gulf. The country's neighbours include Oman to the east; Kingdom of Saudi Arabia to the south, as well as it shares its sea borders with Qatar and Iran. The UAE is a federation of seven emirates (equivalent to principalities), each emirate is governed by hereditary Sheikhs who jointly form the Federal Supreme Council which is the highest legislative and executive body in the country. "The constituent emirates are; Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Quwain, Ras al-Khaimah, and Fujairah" (UAE government Bulletin, 2012).

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In most of the Muslim countries (except for Saudi Arabia, Indonesia, and Malaysia were it is under the state's Islamic law enactment), zakat obligation is a voluntary and philanthropic activity, and not controlled by the state. A healthy socioeconomic model implies reducing the gulf between the rich and the poor and fair distribution of wealth, which is among the core values of the zakat divine obligation, and that is only attainable when the obligation is ordained by the government. This study has elucidated that there is a lack of empirical planning and a general dearth on representation of the poor in the Middle Eastern region and among majority of the world. And from this angle the study puts forth a critical standpoint of this divine economic obligation. And from here this chapter conceptualizes, that if zakat is controlled by the state in Nations Fiscal Planning, poverty would be eradicated if not totally eliminated.

In countries around the world, the causes of poverty vary from country to country; one of the causes of poverty in UAE is the society's focus on image.

As an example most of the individuals in an Emirati family own their own car, they buy high-end cars and don't mind applying for loan to cover the expense and to own it (Al Bastaki 2011). Individuals becomes indebted to banks, as a result of extravagant standard of living and loans burden, a report had shown that ninety eight percent of people taking help from Red Crescent have loans that make them overburdened and unable to settle them, which is the most common factor for the impoverished (Al Bastaki 2011).

The contribution of Zakat is collected and organized by charitable institutions, few of these are owned by government and others are social not-for-profit institutions that work autonomously. Some of the more popular ones are: The "Zakat fund in Abu Dhabi, Islamic Affairs and Charitable activities department in Dubai, Dar Al Berr society, Beit Al Kheir, they all work as independent institutions for the purpose of Zakat collection and distribution to worthy recipients. Their vision and mission had been derived from the Quran and Sunnah, distributing a subsistent amount of money to fulfill the poor's basic needs and have a deeper understanding for them.

Zakat and Its Socio-Economic Merits

ZAKAT is one of the five main pillars of Islam; it is the practice of charitable giving by Muslims based on accumulated wealth and it (Zakat) is expected to be paid by all practicing Muslims who have the financial means. "The role of Zakat is to promote social justice and to ensure sustenance of economically unfortunate sections of the society" (Al-Jaza'iri, 2001).All classical Muslim Scholars recognize Zakat as a mechanism not only to fulfil the basic needs of the poor but also to empower them with capital and earning capabilities. Some jurist's like the Shafiis allow Zakat to be disbursed in capital working tools that enable them to produce more and to secure better income. (Al Nawawi, 1977).

According to Ahmad (1979), Zakat assures the basic necessities of life to those who are in poverty, in dire need and unable to undertake gainful employment without society's help and assistance (Kurshid A, 1979). The effect of Zakat on poverty is cumulative; Zakat not only increases the income level of the poor in society but also increases the effective demand for basic needs, which in turn will encourage production of socially desired goods and services in the society (Mannan, 2000).

Other contemporary researchers has developed a framework that encompasses the socio-economic perspective of Zakat, for example Shehatas' (1994) study examined program's that can be used in the human development aspect of the poor that could make them more resilient and productive. Programs that the researcher examined was social activities such as establishing schools, health care centres, affordable housing, agricultural and cottage productions, rehabilitation and vocational centres, and further

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the study then transcended to business wealth such as provisioning of fixed assets, and working capital. (Shehata, 1994).

Many Islamic scholars have found that Islamic finance has provided global solutions not found in capitalist markets. The 2008 economic crisis that affected the global economic landscape, initially emerged from the Wall Street markets and the Mortgage Subprime in the United States of America and spawned a domino effect to the rest of the world. This was a proven testament of capitalism greed and mal-practices of Wall Street market, and accordingly economic scholars around the world started analysing the root-cause of the ailing markets and espionage for remedial actions. It has been unanimously agreed that capitalism is one of the main factors of poverty, as the rich gets more capital at the expense of poor.

On the contrary Islamic Finance sets its sights of the poor at its very core, gives a rising hand to free markets notion with government regularization when needed, it calls for fair distribution of wealth, discourages capital hoarding, it further transcend to ethical trading and asset-backed markets, as well as negates high profit margins in an exchange. Thus, Islamic finance was sought by many including Europeans to have basic fundamentals that can help the world to become a better world, and a good substitute for capitalist economy. (Al-Jaza'iri, 2001).

Zakat is a discipline and a financial behaviour; it purports social responsibility and benevolence, besides being a divine worship. Many Islamic Jurists point out that Zakat revelation is a cure for many of today's scourges; since it quells yearning and despair of the impoverished. On the long-run it reins back economic inflation, and halts greed of capitalism and bourgeoisies. According to Faridi (1992) Zakat accentuates the element of continuity and stability to public revenues, its obligatory nature of along with its fixed rates, the minimum amount of taxable wealth (nisab) and the delineation of Zakat disbursement helps in this process. The collection of Zakat is particularly useful for the planning and maintenance of public expenditures, and the delineation of recipients serves to protect its allocation against economic, fiscal or political whims of the Zakat administration (Faridi, 1980).

The Quran says, "… And they must render the dues that are proper on the day that the harvest is gathered…" (Quran 6:141), in this holy verse, Allah the Almighty ordains the contribution of share of your own wealth on yearly basis to the poor (when the harvest is gathered), and this instigates an element of continuity, steadiness, and timeframe conformity of the contribution. And from here Muslim consumers awaits the Holy month of Ramadan for extending their zakat and other contributions.

The five pillars of Islam are incumbent among all Muslims and include the declaration of faith (shahada), prayer (salat), obligatory alms (zakat), annual fast during the holy month of Ramadan (sawm) and once in life time pilgrimage to Mecca (hajj).The obligation to pay Zakat was set at the time of the prophet Muhammad (Peace be Upon Him) and was recognized as an emphatic proof of the acceptance of Islam and loyalty to the united community, all the other commandments is possible to be fulfilled individually except for zakat which needs to be fulfilled in a conjunction with a community, and thus compels people to engage with other human beings.

Moreover, Zakat is not considered as voluntary charity, this is since it was imposed as a commandment from God. Analogously, Islamic finance as empirically proven is not only an economic system predicated upon the theological doctrine but also complete with values promoted by Quran and Sunnah through which governs all forms of economic interaction in the society. The principles of Zakat is governed by Sharia Law which are the moral and ethical principles governing the Muslim societies from the Quran and Sunnah (Nomani & Rahnema, 1994).

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The Quran Says: "Take, [O, Muhammad], from their wealth a charity by which you purify them and cause them increase, and invoke [Allah's blessings] upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing." (Quran 9:103).

As defined in the holy Qura'nic verse, zakat means to purify, sanctify and to grow, unlike almsgiving, charity, or philanthropy, it is further an obligation that all Muslims should fulfill. Next to prayers, zakat is the most important rule of Islam, and hence it has been repeatedly mentioned to witnesses 32 times in the Holy Quran. It was an obligatory payment too in the case of the followers of all the preceding prophets. The literal meaning of Zakat is purity and enhancement. In other words by paying Zakat a person purifies his wealth and also obtains religious sanction for his possessions. And his soul too is cleansed of all sorts of wickedness and filth. From another angle there is an increase in wealth as well as a divine reward, the nuance of this divine doctrine represents the poor claim to share in society's wealth, and is at the core of social security system.

The axiological nature (study of values) of Zakat is based on prohibition of Usury (interest) and focuses on risk sharing and equal distribution of wealth. Furthermore, the Sunnah and Hadith which are the transcended anecdotes from the time of Profit Muhammed (PBUH) has determined all the items that are Zakatable and analogous with capital and those that are all kinds of growing wealth known to the Arabs in the Prophet's era, such as: livestock, agricultural products, and gold and silver. One needs to distinguish that Zakat is levied on things which have a capacity to grow capital and hence no zakat is levied on instruments, residential houses, clothes, household effects and other objects which are not capable of production or increase (Siddiqi, 1968).

According to Al Qaradawi (2004), the percentages and ratios of zakat are also determined in a scrupulous manner in sayings derived from the Quran and in more breadth in Sunnah, ranging from five to ten percent to a minimum of two and a half percent on different kinds of wealth (2.5% on capital, 5% and 10% on agriculture produce).

The tradition of the Prophet also defined the time of payment and the pattern of periodicity of zakat. The designated recipients of zakat are also well defined and delineated in the Qur'an and Sunnah and will be explored in the next section. Islam strongly emphasizes on the equality of wealth in the society, this divine obligation comes due when a certain amount of money called the nisab is reached or exceeded, and does not fall if the amount owned is less than the nisab. (Al Qaradawi, 2004). The nisab is used by Muslims to determine the minimum amount of wealth that reaches the one lunar cycle and is entitled to pay zakat, the currency of measurement used back then which was in gold and silver, for gold it was estimated to 85 grams of pure gold, and for silver it is estimated to be 595 grams of pure silver" (Al Qaradawi, 2004).This involves the payment each year for the percentage of two and a half percent of one's capital each lunar year, which in turn prompts continuity and sustainability factors, and it, is thus comprehended to be from a person's growing capital.

THE DESIGNATED RECIPIENTS OF ZAKAT

The recipients of zakat have been determined in Quran by verse 60 in Surat al-Tawba, jurists collectively agree that the distribution of zakat is limited to the eight recipients outlined, and no new group is possible. The Quran says in Surat al-Tawba "The alms (Zakat) are only for the poor (fuqara') and the needy (masakin), and those who collect them (camilun), and those whose hearts are to be reconciled (mu'allafat qulubuhum), and to free the captives (riqab) and the debtors (gharimun), and for the cause of

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Allah (fi sabil li Allah), and (for) the wayfarer (ibn al-sabil); a duty imposed by Allah. Allah is Knower, Wise." (Quran. 9:60), among these groups of recipients, the Quran emphasizes the right of the needy and deprived from the share of wealth from those who own it. The Quran further says, "And in their wealth the beggar and the outcast had due share" (Quran; 51:19).

Fuqara and Masakin. 'Al Fuqara' is a plural of 'Faqir' which is an adjective describing the people who are in destitute and people who are in-need and poverty, Al Masakin is also a plural of 'Miskin' means that those who donot have anything to support themselves or their dependents; and hence both terms synonymously describes the people who do not have minimum basic needs to survive which include food, shelter, clothing, and such other needs. In the allocations of Zakat, some jurists emphasized the need of the poor and the destitute above other recipients of Zakat to ensure that religion and life are protected through the fulfillment of basic needs like food, clothing, shelter and health care. (Al Qaradawi, 2004).

Administrators (Amilun). They are the people that are employed by the ruler to facilitate the collection and distribution of zakat. Among them are the collector, writer/clerk, distributor, one who pools various types of zakat collected, and one who knows the target groups, accountant, and keeper. The term used to connote all these workers is normally 'Amil' or in plural 'Amilun'. (Al Qaradawi, 2004).

Al Mu'allafat Qulubuhum. Those whose hearts are reconciled refer to persons whom on receipt of zakat will soften their hearts towards Islam. Some jurists classify them into three categories namely: those who were given zakat by the prophet to soften their hearts towards Islam, those who were given zakat to prevent their vices towards Islam, and those who converted to Islam but their faith are still fragile. As per recent prerogative this term is also used to include those who newly embraced Islam, as an appreciation, and could be spent on their Islamic education (Al Qaradawi, 2004).

Fil-Riqab. Those slaves who make an agreement with master to pay a certain ransom for their freedom. This group comprises debt bonded or contracted slaves, the purpose of zakat payment to this group are to help them pay the debt that bonded them to their masters.

Gharimun. Debtors defined as those whose debt is basically greater than their asset. Further, Al-Qurtubi (2003) defines debtors as those who are saddled with debt and has no means to settle such debt. In Islamic law, debtors who may receive zakat are of two types: those who are in debt due to personal circumstances like having no income to pay for their everyday needs. These debtors according to jurists are ones whose debt and does not own a full nisab if his debts were paid. The majority of jurists view that these include people who own kifaya (their meager incomes are not enough to cover basic necessities)but given the debts that they owe, their wealth will reduce to be below kifaya.

Fi Sabil li Allah. The preferred views among jurists described those that are fighting for the cause of God and do not have sufficient fund to pay the related expenses and also the pilgrims who are in need. Further interpretation of 'Fe sabil li Allah' represents a wider group of recipients, it can further be expanded to include all other deeds that benefits the Muslim society and gets one nearer to God, and that includes building mosques, forts, and burials. In this context, it can be used to build public utilities like hospitals, roads, and educational institutions. And contemporarily since Islam is strong and widely spread, it would be more suitable for this era to use those funds in building people development enrichments, and projects that will alleviate the poor people conditions. In the past few years, the UAE government had invested in compassionate projects in most of the Muslim countries where political instability and poverty exists, like building hospitals in Palestine, and during the holy month of Ramadan (July 2014) the UAE government had patron a benevolent campaign of extending drinking water to the poor provinces in Pakistan and other parts of the world targeting 5 million people.

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Ibn al-Sabil. This describes someone who is in journey, and not a resident of the state, and who might be in lost contact with his wealth and his home country. According to Malik he considered those in pilgrimage as ibn al-sabil and even if he is rich in his country.

Thus, these groups are based on symbiotic economic and communal concerns of early Muslims. Contributions to other social imperatives in the society in Islam like the Parents (Al Aqrabun), spouse, own children, relatives, ill-people, handicapped, orphans, widows, are all part of piety and Muslims should be contributing towards them sustainably in the form of Sadaqat.

BENEFITS OF ZAKAT AT A MACRO LEVEL

According to Qaradawi (2004), zakat is not purely a worship, for in addition to being a worship it is a defined right of the poor, an established tax, and an ingredient of the social, and economic system of the society". Throughout the Islamic ages, the administration of Zakat was the duty of the leaders, it (Zakat) is said to be the first universal welfare system in human history and the first to introduce a social security system and unemployment benefits during the 2nd caliphate of Umar Ibn Al Khattab, thus zakat was an eco-welfare system which places at its core the reserved right of the poor and their consumption. Linking the historical cornerstones with contemporary business thinking the following socioeconomic benefits of zakat are practically induced.

Fair distribution of wealth and capital resources reduces inflation: Once the zakat becomes obligatory by the state as in a tax system, that will be an imperative in avoiding the hoarding and accumulation of money, and Zakat ensures that money would circulate and reach the poor's hands. Thus money reaches the entire social income pyramid strata's, creating stability in the market and the demand for basic goods increases, this in turn will thus rein back inflationary pressures created at times by the affluent, and finally good market equilibrium would be attained.

ZAKAT obligation by the state increases accountability and governance: Unlike taxation, zakat is a fiscal stream specialized towards poverty alleviation, while taxation is routed to different government spending streams, and furthermore it perpetuates the element of accountability since the recipients are pre-defined, and being an emphatic obligation held by moral values serves to be easily implemented.

Zakat puts forth the investment of capital in human development affairs such as education, which will boost economic growth in the long run, and has been proven to reduce poverty: One of the key milestones the Muslim nations should strive is education for all, and that includes the rights of the poor people in receiving proper rehabilitation and education, and inclusion of those people in intellectual property.

Governments has to patron poor people, and ensure they receive adequate accessibility to government services and receiving fair wages and treatment in the labour market: Zakat and even taxation is the government's most direct tool for redistributing income and those government tools addresses the poverty at a macro/national level, and would help in development planning while setting defined objectives with the help of composite indexes to reach a twin objective of economic growth and poverty alleviation.

Social Equality among people and feeling of equality, and Unity among the society eliminates hatred, reduces crimes, and child-labor exploitation: From a Macro-economic perspective, economic disparity between social groups affects the countries social order, raises inflation, and hence Zakat principles regulates fair circulation and spread of money, and when poor gets better social help and support from the country that that will reduce their stressed minds, and compassion would blossom.

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Research: Zakat and Its Socio-Economic Merits

Conducting a research requires fundamental techniques and methods done by using certain research instruments such as in-depth interviews, surveys, questionnaires, and focus groups to address the hypothesis and reach to people consensus. Some academics have defined research as 'an art of scientific investigation', while others like (Cooper & Emory, 1995) defined it as a systematic inquiry aimed at providing information to solve problems.

According to Redman & Mory (1923) research is "a systemized effort to gain new knowledge", while Clifford Woody (1988) suggest that "research comprises defining and redefining problems, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data; making deductions and reaching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis". Thus, it (research) is a scientific and systematic way of carrying out an investigation, it entails the approach, design and tools used to collect and analyze data, which helped in reaching to a conclusion or the objective of research.

This research paper which is our case study, deals with the concept of "Zakat", and puts forwards a distinction and nuance of the values that the zakat rationales. It further synthesizes between the religious practice and underlying values, to ascribe a breadth in positioning zakat as fiscal system rather than a peripheral charity. This research utilized both qualitative and quantitative approach to obtain results in order to reach the research the objectives.

The study was conducted using in-depth interviews, and this was supported by more empirical tools such as a questionnaire, it is exploratory in building theory for the global poverty problem, and infusing the ascribed Islamic fiscal system (Zakat).

Research Philosophy

Research philosophy is an overarching term related to development of knowledge and nature of that knowledge in relation to research. Western scholars hypothesized philosophical paradigms in answering questions such as; the nature of reality which is a branch of Metaphysics imparted by Greek Philosophers such as Parmenides and Aristotle (Ontology), and the nature of knowledge (Epistemology), and axiology which is the study of values, and thereafter other branches of philosophies emerged like hermeneutics and others.

In comparison, Muslims believe in centric existent of one God 'Allah' the founder and creator of the universe, who is eternal. Allah has sent prophets throughout the ages to guide and teach people with his revelation and divine books. Islam attempts to synthesize reason and revelation, knowledge and values, and predominantly reconciling religion with philosophy. Discoveries in the modern era including astronomical, sociological, geological and economical and other spheres of knowledge had been revealed in the Quran 1,400 years ago. In short a Muslim uses the epistemology of 'Allah' which is 'The Quran and Sunnah' to know his 'Ontology'.

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Research Strategy and Research Design

Setting a research strategy is essential in assuring time allocation for each chapter and promotes greater precision in the planning process, and helps overcome the research impediments in the best possible way.

"Research designing involves the planning of the research procedures as well as the procedures for data collection and analysis" (Allison, 1995). Furthermore, in research design, there are three commonly used designs for research these are "Qualitative, Quantitative and Mixed Methods" (Laerd, 2010). This study would be using a mixed- method using qualitative and quantitative methods. Thus the research philosophy is a mixture of interpretive (Phenomenological), and Positivist (empirical) that is supported with statistical data, surveys, and questionnaires.

Research Approach Methods

The research approach is deductive in nature, as it posits the zakat revelations and deconstructs the underlying values surrounding it, as this is from epistemological perspective. In the other context, since the zakat in Islamic history used to be an emphatic obligation controlled by the state which is not prevalent in many Islamic countries at present, thus it is also inductive taking the reverse angle in promulgating its importance and trying to revitalize and reconstruct theory.

Research on Zakat Institutions

This study included a sample of Muslim consumers in UAE, the sample had been given a questionnaire to around 200 people, the questionnaires was designed to accentuate what could make the Islamic zakat institution more efficient and productive, and what stimulates the Muslim consumers towards this social responsibility.

The questionnaire consisted of five main questions to instigate our above goals; the questions were designed targeting the core goals of a zakat institution, likewise reflecting the Muslims psychometric behavioural aspects.

The first question perpetuated the importance of electronic payments "what is the most appealing service offered by zakat institutions?" we had an overwhelming 83% of the respondents preferred to charter their contributions through online and electronic payments, that echoed the current trend in United Arab emirates, this is as most of the public sectors in UAE have already carved their services with state of art electronic gateways to facilitate customer online payments, it is also used as a feedback channel, which is very customer centric, and provides arrays of convenience for customers, as it saves times, effort, and money. It also serves as a facilitator for instant feedback and complaints.

The second question dealt with transparency of publicizing the charitable institutions ongoing projects "how far do you see zakat institutions are publicizing their future plans", this was welcomed by almost 92% of respondents, since they found that transparency was a part of good governance. The institutions that offered frequent updates on its corporate, managerial, and operational framework, gained quantum credibility in public, and having more contributors. Recently the UAE had extended drinking water to Tanzania through digging of wells through the Red Crescent and that had covered a significant forty

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thousand people, worth mentioning that Tanzania is ongoing very poor conditions and scarcity of water and drought conditions.

The third questions had purported the significance of marketing and communication of value with 91% in favor of communicating. When we study consumer behavior among the Muslim nations, we will find that not all discerns the underlying values of zakat and from this stance zakat institution should also be using the latest marketing tools in order to assess their consumer behavior to induce their campaigns in customer's frequent channels and touch points. Accordingly broadcast messages should entice their moral values and create awareness about zakat, and the value proposition should be predicated upon a 'sanctification, a compassion, and a growth in wealth'.

The fourth area of research addressed the issue of using zakat for investment purposes, and is a novelty of this paper. The respondents likewise had given a striking response of 94% for this sustainability approach. As at current, the zakat is only to help the poor and meek with the very basic necessities as a one off help. However supporting the view from a famous proverbial quote 'Give a man a fish and you feed him for a day; show him how to catch a fish and you feed him for lifetime', and using this proverbial quote this study found and further recommends a revolutionary change in the zakat investment starting with rehabilitation of those poor people, offering them health care, and training them on self-fulfillment jobs.

The last question and area of research for this study dealt with how to provide knowledge and information to the younger generation about zakat and instill a philanthropic attitude among them. Various studies have proven that early adolescence-age learning is highly influenced by parents, school, and peer pressures, all having escalating influences on the child's acquired academic and moral behavior. And over the past decades newly proliferated forces came in the picture, and those are the internet and smart phone devices, with a single click young people are able to get quantum information and exchange their ideas.

Hence, using the market segmentation approach, zakat campaigns can target various groups and create appealing messages to them. Furthermore zakat institution should use the latest marketing tactics to broadcast its campaign accordingly, with the use of integrated marketing communication (IMC). For example like a placement of a Billboard on the "Khawaneej Road in Dubai" which is a very common platform for UAE desert safari lovers, with the former signifying a value proposition for zakat, or another placement on a cosmopolitan high way like Sheikh Mohammed Ben Zayed, which is a subtle and easy way of marketing that most people prefers.

CONCLUSION: SOLUTIONS AND RECOMMENDATIONS

Zakat being one of the five main pillars of Islam, according to a study conducted by the Pew Research Center (2011) Islam is the world's second largest religion. In a 2010 study whose results were released in January 2011, Islam has 1.57 billion adherents, making up over 23% of the world population (Pew Research, 2011). With such a vast population covers the corners of the universe, the role of Zakat in alleviating poverty is an achievable objective. As part of the Holy month of Ramadan, His Highness Sheikh Mohammed bin Rashid Al Maktoum, the Vice President and Ruler of Dubai, launched at the start of the Holy month of Ramadan the UAE Suqia initiative to provide clean water to approximately five million people worldwide (Staff Reporter, 25/6/14). Such initiative only goes to prove that an organized and determined procedure can be used to enable Zakat to eradicate poverty one day.

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KEY TERMS AND DEFINITIONS

Al Haj: Pilgrimage to Mecca at least one in lifetime, and this is only obligatory on those are able, and having the financial capability.

Al Salat: Is the obligatory prayer and the second pillar in Islam, and Muslims needs to perform prayers five times a day.

Al Sawm: The fourth Pillar in Islam, and is fasting in the holy month of Ramadan by abstaining from food during daylight, by this Muslim closer to the feelings of the poor, having greater patience, and is a great practice by also refraining from hearting the feeling of anyone, in essence not only from food.

Al Zakat: The third pillar in Islam and this is an obligation from the Almighty to contribute a predefined sum of wealth for those having financial means.

Hadith: On the other hand, literally meaning something new that comes out, a saying, a statement, refers to narrations that are attributed to the companions of the Prophet (PBUH) who narrate a statement or a story about the Prophet (PBUH) or related to the Prophet (PBUH). The Hadith has reached us through individual or a few narrators in every generation.

Quran: The sacred book of Islam, and the revelation of Allah (God) to Prophet Muhammad PBUH (peace be upon him), dictated through the medium of angel Gabriel.

Shahada: Is the declaration of faith, and the first pillar in Islam, Muslims core believe; ("There is no god but Allah, and Muhammad is the messenger of Allah").

Sunnah: Literally meaning a path, method, way, contains those religious practices that are established by the Prophet (PBUH) among his companions and have passed to us by the consensus of generations.

Suqia: A benevolent contribution by the United Arab Emirates to provide clean water to approximately five million people worldwide.

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Chapter 27
A Crowd-Funder Value (CFV) Framework for Crowd-Investment:
A Roadmap for Entrepreneurial Success in the Contemporary Society

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ABSTRACT

Crowd-funding is used by business and social entrepreneurs to fund projects that impact society in many ways. Although crowd-funders fund and support entrepreneurial projects, stakeholders are less aware of crowd-funder motivations and behaviours towards products/services, which impact on the success of these projects. The purpose of this research, therefore, is two-fold: a) development of crowd-funder value framework for understanding crowd-funder motivations; and b) provision of robust theoretical basis to the construct of 'crowd-funding'. Different social constructs, such as social identity, and symbolic, crowd and relational social capital related to crowd-funding are discussed based on symbolic convergence theory of communication and social identity theory. This framework will act as a roadmap to understand how crowd-funder motivations impact and create value for individuals, organisations and society, and inform how social, environmental and economic value and impact can be maximised through crowd-funding initiatives.

INTRODUCTION

Financiers, financial markets and financial innovation play an important role in social and environmental value creation, with recent financial innovations including - crowd-funding - that helps in democratising finance, enables small investors to become venture capitalists and creates social and environmental value along with economic value for the welfare of their communities (Shiller, 2013; Van Staveren, 2013). Crowd-funding is used as the main informal capital resource that can be used as seed capital or early stage

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capital, where angel capital (i.e. private capital from business individuals) or venture capital may not be available (Bains, Wooder, & Guzman, 2014; Tomczak & Brem, 2013; Valančienė & Jegelevičiūtė, 2014). Entrepreneurs, crowd-funders and online platforms utilise different combinations of human, financial, social, economic and cultural resources to benefit society in various ways. For instance, VolunteerMatch provides human resources for individuals and organisations in need (Gerber & Hui, 2013), thus, filling the gap related to human capital in society.

With the introduction of Jumpstart Our Business Startups (JOBS) Act in the US supporting crowd-funding mechanisms and techniques, crowdfunding is increasingly gaining importance in business and society (Dushnitsky & Maron, 2013; Stemler, 2013). There are many national associations of crowdfunding operating in different countries, such as the UK Crowd-funding Association, National Crowdfunding Association of India, National Crowd-funding Association of Canada, The National Crowd-funding Association (U.S.) and the European Crowd-Funding Network (Kshetri, 2015a). Governments of many countries have implemented crowd-funding regulatory mechanisms that vary from country to country, aim to promote social and commercial entrepreneurship (Harrison, 2013; Kshetri, 2015b; Tomczak & Brem, 2013) and are providing financial support for achieving the bigger social, economic, and environmental aims for benefitting the wider communities, thereby, promoting crowd-funding ecosystems in their societies (Kshetri, 2015b; Valančienė & Jegelevičiūtė, 2014). However, although all forms of crowd-funding are supported by governments, equity and lending based crowd-funding are more strictly regulated than donation and reward based crowd-funding in most countries, such as China, India, US and UK (Cumming & Johan, 2013; Kshetri, 2015b; Lehner, 2013). Nevertheless, crowd-funding market continues to grow leaps and bounds, for instance, the UK market for crowd-funding was estimated at £200 m in 2012 and was expected to rise to £300 m in 2013 (Harrison, 2013).

Recent market trends have shown that crowdfunding is increasingly being considered and utilised as a way to fund social and business ventures by business and social entrepreneurs alike (Groves, 2015a; Lehner, 2013). Crowdfunding is still a new concept, especially in the social entrepreneurship field as compared to the traditional forms of investment models, used by entrepreneurs to fund their businesses and social ventures (Lehner & Nicholls, 2014). Business and social entrepreneurs utilise various different business models to create new ventures that impact society at different levels (Seelos & Mair, 2005; Teece, 2010). These business and social entrepreneurs that lack economic capital are increasingly utilising crowdfunding techniques and methods to fund their projects (Acs, Boardman, & McNeely, 2011; Ibrahim & Verlyantina, 2012a; Jiao, 2011) as there are very few individuals with access to funds that operate informally and provide venture-capital to other entrepreneurs (Van Staveren, 2013). Although there are informal venture capitalists that support crowd-funding, driven by social, economic and/or personal motives, few of them share these investment opportunities with friends and families, despite the fact that the costs and risks associated with crowdfunding projects are relatively low than the traditional capital venture projects (Ordanini, Miceli, Pizzetti, & Parasuraman, 2011; Shiller, 2013). The traditional approaches to raise economic capital through loans are considered costlier and difficult to access (Lehner & Nicholls, 2014; Mollick, 2014), which is encouraging social entrepreneurs to benefit from crowdfunding that allow peer to peer lending, equity, rewards or donation, to fund new social ventures aimed at radical change and positive impact on society (Dushnitsky & Maron, 2013; Kshetri, 2015b). Since micro businesses also face similar restrictions to get access to economic capital due to lack of financial history (Ibrahim & Verlyantina, 2012b), crowdfunding serves as a powerful tool for entrepreneurs contemplating to start-up new projects.

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Crowdfunding may not replace old systems of financing projects, but is an attractive financing option for entrepreneurs (Feder, 2013a) as it seeks to cater to the needs of present society in unique ways and enable them to scale-up social impact in society (Lehner & Nicholls, 2014). *Crowd-funding* and *crowd-sourcing* are both closely related social constructs and rely on large crowds to participate in entrepreneurial initiatives by providing finance in small amounts to novice and experienced entrepreneurs. Enablers of crowd-funding activity is similar to that of crowd-sourcing and include 7Ps (Burkett, 2011; Dushnitsky & Maron, 2013; Gerber & Hui, 2013; Kappel, 2009; Lehner, 2013; Ordanini et al., 2011; Prpić, Shukla, Kietzmann, & McCarthy, 2015; Nagalakshmi & Sudhakar, 2013; Zheng, Li, Wu, & Xu, 2014). These are:

- **Pool:** Large number of people required to participate in crowd0funding projects to make it successful.
- **Platform:** Presence of web technology and/or a marketplace.
- **Preference:** Crowd-funders must be motivated and interested in the product/service they would invest in.
- **Product:** Crowd-funders provide feedback regarding the product or service in some way.
- **Promotion:** Crowd-funders actively or passively promote the products/services they invest in.
- **Promise:** Crowd-funders are connected and committed to the product.
- **Payment:** Crowd-funders are paid in some form through social, economic or environmental benefits.

Direct and indirect crowd-funding approaches are used by entrepreneurs when they want to reach out to a set of pre-defined crowd audiences directly through appeal for funds on their own platforms, such as a marketplace or website; and indirectly through intermediary platforms for an open call for funds to general public and crowds (Burkett, 2011), thus, expanding their horizons. Crowd-funding platforms (or service agents) are the organisations that help entrepreneurs or project proponents to gain crowdfunding from the crowd-investors, act as intermediaries and help in balancing the demand and supply of the products/services funded through crowd-investment (Ordanini et al., 2011). Crowdfunding can be understood as a two-sided market on a common platform with the crowd-investors on the subsidy side, an intermediary platform provider that provides a common platform for both investors and investees and the fundraiser on the entrepreneur side (Belleflamme, Lambert, & Schwienbacher, 2014; Kshetri, 2015b; Tomczak & Brem, 2013). Crowd-investors pay no fees to the agent, whilst entrepreneurs pay a particular amount of commission, depending upon the amount of funds raised through their crowdfunding platforms (Gerber & Hui, 2013; Tomczak & Brem, 2013), thus, creating value and network effects through enabling interactions among groups and individuals (Belleflamme et al., 2014), which indicates how valuable the project is to the crowd-investors.

Although crowdfunding is being criticised for a tool to become-rich-quickly investment option and fraudulent projects (Gobble, 2012), many benefits of utilising crowdfunding mechanisms to the crowd-investor include accessing tangible and intangible capitals, such as social capital and economic capital (Dushnitsky & Maron, 2013; Mollick, 2014; Zheng et al., 2014), which are not only essential for the operation of enterprises, but also help them achieve success. Although social capital of entrepreneur is found to be critical to the success of crowd-funded projects (Colombo, Franzoni, & Rossi-Lamastra, 2014; Lehner, 2014), multidimensional view of social capital that includes relational, structural and cognitive

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social capital will impact crowd-funding cross-culturally even more (Zheng et al., 2014). Structural social capital refers to the social interaction, cognitive social capital refers to the shared visions and views of the members of the group and relational social capital refers to the presence of trust between the members of the group (Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998). Since relational, structural and cognitive dimensions of social capital impact upon the value creation within and outside the firms (Tsai & Ghoshal, 1998) and the interaction of crowd-investors results in crowd capital that can be utilised (Prpić et al., 2015), it is important for individuals involved in crowd-funding to utilise social and crowd capital for not only the benefit of crowd-investors, entrepreneurs and crowd-funding platforms, but also the wider public. Crowd-funding platforms can enable crowd-investors belonging to different social groups to interact and come together for a common cause, which can help leverage social capital for utilisation by entrepreneurs in crowd-funded projects (Zheng et al., 2014). Additionally, since crowd-investors involved in crowdfunded projects contribute through time, effort and labour, it is critical to identify and understand the role of stakeholders involved, including crowd-investors and entrepreneurs, to improve the overall crowd-funding process and experience (Valančienė & Jegelevičiūtė, 2014).

Entrepreneurs, however, lack understanding of the motivation and preferences (social and economic rewards) of their existing and potential backers (Dushnitsky & Maron, 2013), which is why this research is essential and timely. Also, since potential and existing backers struggle with the lack of trust for crowdfunded entrepreneurial activity (Colombo et al., 2014; Gerber & Hui, 2013), it is the responsibility of entrepreneurs and campaigners to create value for all those involved that invest in crowd-funding through their projects in different ways. Since crowd-funding is derived from crowd-sourcing, it is a novice concept, especially in developing countries like India (Gerber & Hui, 2013; T. Nagalakshmi And A. Sudhakar, 2013). This is why a theoretical basis of crowd-funding is important and timely to help a comprehensive exploration of the construct of *crowd-funding* by researchers and practitioners in future. The theoretical basis of crowdfunding research will also enable crowd-investors and entrepreneurs to influence approaches to crowd-funding that can be attuned closely to the unmet needs and wants of the crowd-funders and members of society, and provide effective and viable solutions for future entrepreneurs seeking to engage with crowd-investors. Therefore, as further research on crowd-investors is essential for understanding crowd-investor perceptions and motivations about crowd-funding and how crowd-funding relates to social reality, the section below investigates the theoretical basis upon which the construct of crowd-funding is related to society.

THEORETICAL UNDERPINNINGS OF THE SOCIAL CONSTRUCT OF CROWD-FUNDING

Crowdfunding research related to understanding the perceptions of crowd-investors is inspired by *social constructivist* approach as it allows multiple realities to co-exist and develop a common understanding of the concept, idea, motivations or perceptions of stakeholders (Benson, 2001; Lindgren & Packendorff, 2009). It helps in co-constructing reality in social, economic, political and cultural contexts, and utilise various qualitative or quantitative methods of research for understanding the reality subjectively (Sánchez & Loredo, 2009). Sociological crowd theories seem to form the basis of crowdfunding including - symbolic convergent theory of communication and social identity theory – is explored and discussed below in relation to crowdfunding. Convergence culture that refers to the participation of the users in the production and distribution of the product, results in collective intelligence where diverse members

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of a group help in the creation of value (Aitamurto, 2011). Since collective intelligence is present in the collective nature of the public or crowd – it applies to both the concepts: 'crowd-sourcing' and 'crowd-funding'(Jian & Shin, 2014; Prpić et al., 2015; T. Nagalakshmi And A. Sudhakar, 2013) as crowds are considered to be the source of crowd intelligence (Aitamurto, 2011; Lehner & Nicholls, 2014; Rossi, 2014). Convergent theories are based on collective efforts and collective input from a group of people that share a common viewpoint (Allport, 1962; Prpić et al., 2015), which is why the symbolic convergent theory (SCT) of communication is closely related to crowd-funding and its mechanisms.

SCT advocates that the group works in tandem to co-create and co-construct reality that impacts upon the behaviour, beliefs, attitudes, motivations and perceptions of the group and stakeholders involved (Bormann, Cragan, & Shields, 2003). SCT utilises symbols and language to facilitate interaction and understanding of group dynamics, whist impacting upon the communication flow within the group, between groups and outside the boundaries of groups in the public, thus enabling shared meanings to emerge that influences the perception and actions of individuals in the group (Allport, 1962; Dougherty, Mobley, & Smith, 2010). Sharing information between members also leads to the development of symbolic capital, resulting in identity formation of the individual (McArthur, 2015) that influences the perceptions of stakeholders about themselves. Symbolic and cultural capital creates economic value through resource exchange in crowd-funded projects, whilst social capital of entrepreneurs contributes towards the success of the crowd-funded projects (Lehner, 2014), thus, indicating that value creation can be enhanced through collective intelligence and effective utilisation of capitals and resources available to the entrepreneurs. Symbolic exchange between the members of community result in the creation of symbolic value or symbolic realities (Bormann et al., 2003; Ordanini et al., 2011) that help crowd-funders to relate to their preferred brand. Furthermore, crowd-investors that tend to associate themselves with a particular brand that offers them symbolic benefits, help them share common values and/or beliefs, thus, leading them to share identity with the brand (Ordanini et al., 2011). Brand-community members also create shared value, irrespective of the financial support from the users, and are particularly motivated by the learning, identification, and status that identify the members with the brand they associate with (Ordanini et al., 2011). This indicates that the symbolic convergent theory of communication, underpins the construct of 'crowd-funding' as crowd-investors tend to bond with the brand that it supports, and are, therefore, influenced by the its decisions.

In addition to symbolic convergent theory, social identity theory (SIT) bears important implications for crowd-funding. Identity, social or professional, is crucial for crowd-investors and the proponents of the projects alike, and crowdfunding process is contributing to the perceptions and building of social and professional identity (Aitamurto, 2011). Social identity refers to the perception of self in relation to other members of the group to which they may already belong or want to belong to, such as social and cultural groups, for instance - nationality, class, family, culture, and religion - that influence group behaviour and the values of the individuals and the groups (Hauge, 2006). Although the collective effort of the group is important, it is the social identity of individuals in the group that influences group behaviours and these groups possess the potential to become powerful entities, which is why social identity achievement for these groups to gain power through their collectiveness is crucial for achieving social change in society (Jian & Shin, 2014; Reicher, Haslam, Spears, & Reynolds, 2012). Additionally, these crowd-investors tend to help the brand in all its stages: design, development distribution and consumption (Ordanini et al., 2011), thus, highlighting and manifesting the ownership crowd-investors possess when associated with particular projects that depict their social identities. This indicates that *identity* is central to crowd-investors who associate themselves with a particular brand, image or cause and want to become a part

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of the project, and therefore, end up supporting these projects (Gerber & Hui, 2013; Zhou, Wu, Zhang, & Xu, 2013). It is, therefore, important to explore the role played by social identity in crowd-investor motivations as it impacts upon the investment choices of crowd-funders.

Social identity Theory (SIT) seems to provide a robust basis for crowd-funder value framework development and facilitates our understanding of the interaction of group members. SIT also forms the basis of cognitive and motivational forces that exists in and between the groups, and discusses the group dynamics and individual self-organisation in a way that joins members of the group with an element of empathy playing a role in and between groups (DeTurk, 2001; Reicher et al., 2012). Social identity of the crowd-funders, therefore, may influence attitudes, behaviours and values of the group and may reflect in the perceptions and attitudes of the crowd-investors not only in a particular group, but also other crowd-funded projects and the public (Jian & Shin, 2014). For instance, crowdfunded projects, such as Sella Band and Kapipal, crowd-investors shared identity in with the projects or proponents in a way that motivated them to invest or donate money for social, personal or economic reasons (Ordanini et al., 2011). According to Porter and Kramer (2006, 2011) shared value is created when the venture or activity benefits both the company and society. Shared value, therefore, refers to the value created by the company when it comes in contact with its stakeholder and the environment (Manning, 2010; Porter, Hills, Pfitzer, Patscheke, & Hawkins, 2012; Porter & Kramer, 2006). This value could be social, financial or environmental that seeks to benefit the company as well as the wider society (Weitzman, 1986). Shared values help in reducing social exclusion and allow heterogeneous members of society to interact i.e. utilise social capital (Strike, 1999), which is confirmed by Putnam (1993) that social capital helps in reducing social inequalities and social exclusion existing within the social structures in society (Manning, 2010; Putnam, 1993). Therefore, social constructs that influence crowd-funder motivations, such as identity and capitals (social, relational, symbolic, and crowd) are inter-related, impact the entrepreneurial activity and are at the very heart of value creation (social, cultural, symbolic, and economic). This indicates that we must explore motivations of crowd-funders in detail to decipher the underlying phenomenon that drives crowd-funding.

MOTIVATIONS OF CROWD-FUNDERS

The role of crowd-funders in improving socio-economic conditions of society is paramount as it is up to the crowd-investors to accord importance, provide development and distribution options and finally, facilitate consumption for the creation of value for organisations, crowd-funding platforms, crowd-investors, entrepreneurs and the public (Ordanini et al., 2011). Improving end-user experience and sustaining the crowd-funded projects are the two main objectives that can be achieved by understanding the motivations of crowd-investors (Gerber & Hui, 2013). Crowd-funded research has better acceptance rates and improved perception of the product in the market due to the level of participation of crowd-investors at all the stages: planning, development and distribution of products (Rossi, 2014). Motivations of crowd-funders are also dependent upon the field of activity in which the project is being crowd-funded, this includes journalism, where fun, belief in freedom of content, self-esteem, understanding, altruism and image are more important for the members of the community (Jian & Shin, 2014). Although, it has been found that crowd-funder motivations are not static and may change over time (Jian & Shin, 2014), it is essential for entrepreneurs to understand the motivations, values, and preferences of their crowd-funders

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to attract, engage and positively contribute to all the activities related to crowd-funding so as to ensure success of crowd-funded projects (Dushnitsky & Maron, 2013; Vezzoli, Ceschin, Diehl, & Kohtala, 2015).

There are a number of reasons that motivate crowd-funders to invest in crowd-funding projects. The quality of rewards influence crowd-funders to invest in particular projects whilst ignoring others (Hörisch, 2015). Social and environmental value creation are also a deciding factor for some crowd-funders that are interested in community and social cohesion (Perilleux, 2015). Online philanthropic behaviour influences crowd-funders to donate due to the feelings of empathy, sympathy, network and community building, including social identity due to the charitable cause of crowd-funding projects. Online consumer behaviour, such as the ease of online transfer of funds also motivate crowd-funders to donate funds more easily (Gerber & Hui, 2013; Rossi, 2014). Entrepreneurs that possess good credit score are chosen by crowd-funders to invest money in for their projects (Gerber & Hui, 2013). Online peer production, where the crowd-funders increase their interaction or learning process by coming in contact with the members of free online community, also impacts upon the crowd-funders choice of investment in particular projects (Cordova, Dolci, & Gianfrate, 2013; Gerber & Hui, 2013). Increased socialisation, new learning processes, public attention, knowledge and information sharing, social approval and maximisation of community benefit through cooperation result in shared value creation (Bröring et al., 2015; Gerber & Hui, 2013; Rossi, 2014). Additionally, as the motivations of crowd-investor include: reward-collection, self-promotion, social benefits, direct compensation, learning, support others and causes, involvement in community projects and philanthropy (Bröring et al., 2015; Gerber & Hui, 2013; Ordanini et al., 2011), these are also the primary reasons for existing and potential crowd-investors to get involved in projects. Becoming a part of project is a personal incentive for some crowd-investors that facilitate shared beliefs and values exhibited by campaigns (Feder, 2013b). Thus, there are many inter-related factors that influence crowd-investor perceptions and behaviours.

The role of social media, public relations, bloggers, news channels in creating awareness and raising interest can never be less emphasised. Customers that become crowd-funders tend to play different roles depending upon their involvement, such as participator, investor, information sources, social networker, entrepreneur, promoter, agents and financer (Ordanini et al., 2011). Likewise, the role of crowd-investors is no longer limited to that of investors as they also act as promotion and marketing managers for their investments, which is why they engage in virtual communities for collective value creation (Rossi, 2014). As knowledge transfer and knowledge-share between and within groups is facilitated utilising social capital in crowd-funding based social platforms, such as Kickstarter, or third-party social platforms, such as Facebook (Zheng et al., 2014), entrepreneurs utilise social media platforms, such as facebook, twitter, and internet; and utilise media tools and techniques to promote their investments and become successful (Gerber & Hui, 2013). It must, therefore, be emphasised that these social media platforms adopt similar approach to entrepreneurship, which is to understand behaviours, practices and beliefs of their users (Yoo, Choi, Choi, & Rho, 2014) that enable their businesses to run effectively and successfully, therefore, allowing scaling up social and environmental impact in society. Entrepreneurs utilise tools such as project monitoring and tutorials, make audios and videos, and exploit social media platforms such as Youtube and Facebook to reach out to their potential investors (Feder, 2013b; Gerber & Hui, 2013; Ibrahim & Verlyantina, 2012b). It is, therefore, crucial for entrepreneurs to not only gain an in-depth understanding of what underpins shared economy, but also make efforts to undertake strategy-driven marketing campaigns for success of the projects (Dushnitsky & Maron, 2013).

Many strategies are suggested to motivate crowd-funders to invest, and to think strategically and take strategic actions to attract them (Hörisch, 2015). This may include designing and implementing a

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marketing campaign, such as a compelling video campaign that emphasises the rewards, perks, financial and social aims to excite crowd-funders to invest and attach themselves with the team, product or idea (Dushnitsky & Maron, 2013). In addition, project narratives must be published on the project website, along with using text messaging to engage with their crowd-investors. Since quality of the project and geography also play a role in the success of the project (Mollick, 2014), entrepreneurs must ensure and be more sensitive about the challenges faced by the crowd-investors in trusting and lending money to crowdfunded projects online. The choice of a large number of entrepreneurs, between running a project as for-profit or non-profit entrepreneurial activity, also affect the likelihood of reaching funding goals (Pitschner & Pitschner-Finn, 2014) as Belleflamme et al (2013) found that projects established as non-profit entities were more successful. This resulted in affecting potential shared value (social, economic and environmental) creation and impact in society. Engaging with crowd-funders at all level of crowd-funding project is key and will not only encourage knowledge and mind share, but also lead to the development of pool base and spark communication of common interest, thus, building momentum as early as possible (Bröring et al., 2015; Dushnitsky & Maron, 2013). As crowd-investor motivations are reflected in the typology of crowd-funding models that these investors choose to adopt, select and invest in (Jian & Shin, 2014), various crowd-funding models, are therefore, elaborated discussed in detail below.

MODELS OF CROWD-FUNDING

Crowd-funding models have been used in diverse fields, including entertainment, social entrepreneurship (Lehner, 2013), environment (Hörisch, 2015), renewable energy (Groves, 2015a; Vasileiadou, Huijben, & Raven, 2015), entertainment, music, fashion and recording industry (Kappel, 2009; Tomczak & Brem, 2013), and social finance (Perilleux, 2015). One of the fastest growing crowd-funded fields include real estate, where $1 bn has been invested in 2014 (Cooper, 2015). Crowd-funding models can be divided into two basic forms: ex post facto and ex ante: in ex post facto - crowd-investors are offered a product/service in exchange of funds at the time of investment, whilst in ex ante - the funds offered by the crowd-investors are used for the realisation of the product/service - so that a particular outcome can be achieved (Kappel, 2009). As most of the crowdfunding is ex ante, this model of funding is becoming increasingly popular as it allows investors to become involved in crowd-funded projects early on and receive monetary benefit in return, as is the case with US and European entertainment, fashion, music and recording industry in which fans assume the role of financiers of their artists so that more records can be produced and sold in the market (Kappel, 2009; Tomczak & Brem, 2013). In ex ante, crowd-investors not only play the role of funders but also entrepreneurs that utilise their internal and external social capital and networks to increase the sale of the products in order to increase the impact of their investments (Colombo et al., 2014). For instance, Kickstarter, a crowd-funding platform, displays information on the number of crowd-investors backing up a particular project and the amount of money collected, thus amassing $1 billion in March 2014, thereby, encouraging other investors to support crowd-funded projects more (Colombo et al., 2014; Meer, 2014).

There are two types of ex ante crowdfunding models being utilised in the music and recording industry: the Betting model and the Investment model. In the Betting model, fans receive the rate of return depending upon the album sales that leads them to play the role of advertiser and promoter of the records/products they support, model presently being utilised by the UK based company: Slicethepie (Kappel, 2009; Ordanini et al., 2011). In the Investment model, profits generated through the sales of

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the records are split in a particular ratio between the investors, artists and the company, model presently being utilised by a German company: SellaBond and a UK company: Bandstocks (Kappel, 2009; Ordanini et al., 2011). These models are driven by moral and social character that fans exhibit for their artists as much as it is driven by profit, and there are many state and federal laws that regulate the functioning of these companies (Kappel, 2009)., which is why it is important to understand the value these models offer for organisations, talented individuals (such as artists and writers) and the members of society. Therefore, different models of crowd-funding are adopted by entrepreneurs to fund their projects and offer value propositions to crowd-funders, crowd-funding platforms and the general public (Ibrahim & Verlyantina, 2012b; Porter & Kramer, 2011).

Entrepreneurs that are interested in additional funding or alternative funding consider crowd-funding to raise capital (Rossi, 2014; Valančienė & Jegelevičiūtė, 2014). Crowd-investors not only integrate resources available to them through their networks to create value, but also act as agents to realise projects that would otherwise either not be activated or carried out due to lack of social or economic value (Ordanini et al., 2011). Since there is ambiguity and inconsistency in the way crowd-funding models are being understood and adopted by entrepreneurs for funding their projects (Dushnitsky & Maron, 2013; Harrison, 2013; Hörisch, 2015; Lehner, 2013), therefore, this section below intends to provide a broader understanding of the crowd-funding models presently being used in society:

- **Equity Investment:** Crowd-funders are motivated by social, financial and intrinsic aims and expect a financial return on investment over time (Cordova et al., 2013; Dushnitsky & Maron, 2013). This is considered as real investment with high risks involved and is used to generate additional money for projects (Rossi, 2014). This model is followed by many entrepreneurs looking to invest money in entrepreneurial projects. For instance, Triodos, a renewable company, is owned by 5,000 shareholders and boosted capacity generation by 50% utilises crowd-funding for raising equity (Earley, 2015). Similarly, Trampoline, a finance company, aims to commercialise a software program: SONAR – a product of the London based technology company- that enhances employee's skills by mapping relationships inside the organisation. Trampoline invite bigger investments from individuals with higher net worth, and those who invest become shareholders in the company (Ordanini et al., 2011). Similarly, Crowdcube, a crowd-funding platform for venture capitalists, run a funding campaign to achieve economic value for itself and its crowd-funders. It is regulated by the UK Financial Conduct Authority and is one of the leading crowd-funding platforms in the UK (Parker, 2014; Tomczak & Brem, 2013). This type of funding managed to raise £2.9m in 2012, £ 28m in 2013, and expected to have raised £84m in 2014 in the UK (Baeck, Collins, & Zhang, 2014; Gill, 2015). Also, SellaBand, a German company, allows music artists to record a professional music album funded by the SellaBand community once an artist reaches a minimum investment target(Belleflamme, Lambert, & Schwienbacher, 2013; Burkett, 2011). Sellaband crowd-funders receive some return on their investment in the form of revenue, and to this date, more than 40 artists have recorded their music albums and receive a share of the revenues and a copy of the limited edition of the CD (Harrison, 2013; Ordanini et al., 2011).
- **Peer-to-Peer (P2P) Lending:** Crowd-funders are motivated by financial, social and intrinsic aims, and funds are provided in the form of loan to the entrepreneurs for funding their projects. Crowd-funders may expect a rate of interest on their investments depending upon their motivations (Dushnitsky & Maron, 2013; Rossi, 2014). This type of lending is flexible and may be equity, debt, profit sharing or hybrid (Macaulay, 2015). P2P helps in increasing the liquidity into

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the market, is regulated by the British Financial Conduct Authority and has received government support in the form of £30 m of investment from the Department of Business, Innovation and Skills (Harrison, 2013). Crowd-funded projects are likely to attract more funding from crowd-investors when they possess good credit scores (Gerber & Hui, 2013; Macaulay, 2015). For instance, Funding circle is one of the leading peer-to-peer lending platforms that supports small and medium sized enterprises (SMEs) in the UK (Cooper, 2015; Macaulay, 2015).

- **Donation:** Crowd-funders are interested in funding these projects as they facilitate increased social participation, and these projects are mostly philanthropic in nature (Lehner, 2013). Crowd-funders are not paid back in equity, perks or monetarily that leads entrepreneurs to feel a sense of responsibility towards crowd-investors (Aitamurto, 2011; Dushnitsky & Maron, 2013). These types of crowd-funding is seen in the traditional non-profit and non-governmental organisations (Lehner, 2013). Donations are based principally on altruistic motivations and intrinsic values than the instrumental ones leading to social change (Dushnitsky & Maron, 2013; Rossi, 2014), allowing the relationship between the donor and the entrepreneur to strengthen (Aitamurto, 2011). An example of donation based crowdfunding is: Kapipal, an Italian company that specialised in Web 2.0 and that allows individuals to act as Kapipalists and investors to act as contributors. Kapiplists create a public or private fundraising page for personal fundraising that includes raising money for medical treatment, birthday gifts and wedding lists, and every contribution from contributors is considered a donation (Ordanini et al., 2011). Besides, donation based crowd-funding can be contribution of time in addition to economic capital as well. For instance, enviroCar, a tool that allows sensor data to be collected from the vehicles of the city in order to reduce traffic related issues, such as pollution, noise and improper traffic lights, was crowdfunded by volunteers and has been very successful (Bröring et al., 2015).
- **Crowd-Sponsoring:** Is used to re-advertise a product/service of an organisation and is used to fund non-profit ventures that has no economic return (Tomczak & Brem, 2013). It is different than donation as in crowd-sponsoring, nothing is expected in return. This type of crowd-funding is in its initial stages and project sponsors are interested in funding individuals that possess expertise, skills in the project and have similar vision as regards the potential of the crowd-funded projects (Zheng et al., 2014). Although project sponsors receive rewards and perks, they not only donate funds, but are also involved in all the stages of project (Bröring et al., 2015; Vasileiadou et al., 2015). For instance, Solar Impulse project, is a crowd-sponsored project that aims to make solar powered airplanes, in which sponsors of the project include: Deutsche Bank and the general public (Tomczak & Brem, 2013).
- **Reward (Also Called Pre-Purchase or Pre-Selling):** Crowd-funders pre-purchase a product/service and are motivated by rewards, perks or social aims that follows (Dushnitsky & Maron, 2013). It does not provide a return on investment, or share in business and projects. They, however, can receive a nominal return in the form of the product/service that allows demand to be generated and regulated, and provides market validation, thus reducing the risk of product failure (Harrison, 2013; Rossi, 2014). Some projects also provide voting rights to the crowd-funders under this model (Zheng et al., 2014).
- **Collecting from Friends, Family, and Followers (CFFF) (Also Called 5Fs: Founders, Family, Friends, Fools, and Fans):** Crowd-funders raise money from close family members, friends and social circles, thus, lowering the initial rate of interest that is required in the start-up phase (Harrison, 2013). Fools in 5F's refers to individuals taking risk with their investment (Dushnitsky

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& Maron, 2013; Harrison, 2013). The presence of trust (i.e. relational social capital) is found to be key in this type of crowd-funding model and particularly seen in countries where family-friends bond is closely tied, such as China, (Zheng et al., 2014). Kickstarter, a platform based on crowd-funding, has raised more than $1 bn from crowd-funding emphasises that money raised from CFFF has substantially contributed to the success of many crowd-funded projects (Dushnitsky & Maron, 2013).

- **Social Crowd-Funding Finance:** This is a fairly new type of crowd-funding model, where crowd-funders are particularly interested in social, cultural and environmental value creation, scaling social impact investments and provide interest free loans to social entrepreneurs (Lehner & Nicholls, 2014). For instance, Trillion Fund, is the biggest UK' social crowd-funding finance service, providing support to social entrepreneurs in the renewable energy sector in the world (Groves, 2015b). Similarly, Socrowd is a Belgian based crowd-funding platform, and have provided its membership to 700 people. This organisation is considered a social enterprise in itself that is active in social finance (Perilleux, 2015). Social crowd-funding model helps in creating direct and open relationship between the lenders and borrowers as both are aware of community and social benefits that arise from the crowd-funded projects, and therefore, are likely to fulfil their respective responsibilities of a crowd-investor and crowd-investee (Aitamurto, 2011; Perilleux, 2015).

Since, many organisations employ hybrid models of crowd-funding, such as Razoo.com that focuses on US public schools and combine donation based crowd-funding model with peer-to-peer lending crowd-funding model (Dushnitsky & Maron, 2013), it can be argued that crowd-funding, therefore, allows different combinations of models to co-exist in entrepreneurial projects and facilitate economic and social value creation. Moreover, since crowd-investors may directly enable the production and sale of products/services, crowd-investors impact upon every stage of the design, development and distribution of crowdfunded products and/or services (Ordanini et al., 2011), thus, ensuring greater flexibility on the participation in the crowd-funding process. Crowd-investors may involve themselves actively and passively in the crowd-funded projects depending upon their interest and the level of involvement in each project. Active crowd-investors are very involved in projects they invest in, and may engage in business activities, such as product development and testing, providing suggestions and feedback on the product, and promotion of the product/service (Rossi, 2014; Zheng et al., 2014), thereby, impacting upon the outcome and success of the crowd-funded projects. Passive crowd-investors may be interested in the rewards and recognition that their investments provide, but are not much involved with the entrepreneurs and/or the sale, purchase or promotion of the product (Zheng et al., 2014). Horisch (2015) suggests that active crowd-funding includes equity based crowdfunding, whilst passive crowd-funding includes reward and lending based crowd-funding models. Upon the success of the crowd-funded projects, entrepreneurs pay a platform usage fee and payment processing fee (Colombo et al., 2014; Dault, 2014; Gerber & Hui, 2013). Crowd-funding platforms utilise two types of models during the facilitation of crowd-funding (Colombo et al., 2014; Dault, 2014; Gerber & Hui, 2013), these are:

- **All-or-Nothing:** All the funds generated are returned to crowd-investors if the project goals is not met, for instance, used by the crowd-funding platform, Kickstarter.
- **All-or-More:** All the funds that are generated are kept by the entrepreneurs, irrespective of the success of the project, such as the crowd-funding platform RocketHub.

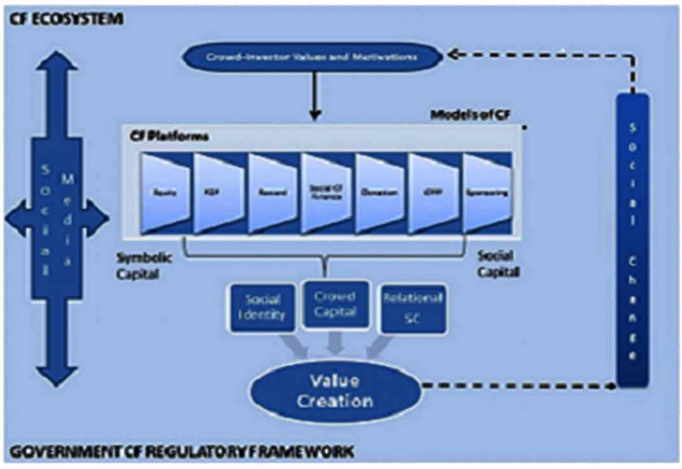
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A CROWD-FUNDER VALUE THEORETICAL FRAMEWORK

This section seeks to propose a Crowd-Funder Value (CFV) theoretical framework that is grounded in the sociological crowd theories, and will provide a theoretical understanding of crowd-investor perspective. Crowd-funder value framework, primarily, aims to increase our understanding of how crowd theories are related to crowd-funders; and how research on crowd-investors may impact future entrepreneurial activity and research directly and indirectly. It is argued that such an integrated framework is crucial for primary in-depth understanding of crowd-investor motivations and perceptions for funding projects that will help in setting up and running business and social ventures. Stakeholders will also gain an insight into sociological constructs related to crowd-funding. As crowd-funding is itself embedded within the society as much as business, this framework will add to the existing interdisciplinary evidence based by combining sociology and business in this research. Furthermore, since there is a dearth of research on the perceptions of crowd-funders and the factors that influence their selection of projects, whether depending upon crowd-funding model or crowd-funding platform, at individual level, this comprehensive framework will provide an in-depth understanding of crowd-funder influences on the overall activity of crowd-funding and how it impacts upon the overall well-being of society.

Figure 1 demonstrates a holistic overview of the crowd-funder value framework and intends to show the relationships between values and motivations of crowd-investors, thus, highlighting how crowd-investor motivations contribute towards the creation of societal values (i.e. social, environmental, economic and cultural) in society. Social media also plays a significant role in influencing the motivations of crowd-investors to invest in crowd-funding projects at initial, intermediary and later stages of crowd-funding experience of crowd-investors (Gerber & Hui, 2013; Ibrahim & Verlyantina, 2012a; Padgett, 2014). New crowd-investors are influenced by the formal and informal communication channels to understand and invest in crowd-funding projects, whilst in later stages, the former experience of crowd-investor's guide them to invest in some projects and avoiding others, depending upon their motivations at that time (Colombo et al., 2014; Zachary & Mishra, 2013; Zheng et al., 2014). Crowd-investor motivations,

Figure 1. A holistic crowd-funder value (CFV) theoretical framework



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therefore, are susceptible to change according to their experiences, knowledge and information that they gain throughout their investment process (Lehner, 2014; Yoo et al., 2014).

The motivations and preferences of a crowd-investor guide him/her to select a crowd-funding model that appeals to his/her intrinsic (such as moral and philanthropic) and extrinsic values (such as economic and material) and is influenced by either his/her own earlier experiences of crowdfunding or through other communication channels (i.e. social media or friends and family) (Dushnitsky & Maron, 2013; Valančienė & Jegelevičiūtė, 2014). It can be argued that social capital and symbolic capital are essential to the development of crowd capital, social identity and relational social capital (that refers to the trust within and between groups). Social identity is formed by individuals in a group, in this case crowd-funding projects, when crowd-investors interact with each other irrespective of the social or cultural groups they belong to, which is why crowd-funding platforms are helpful in bridging the communication gap between crowd-investors belonging to heterogeneous groups (Hauge, 2006; Heere et al., 2013; Reicher et al., 2012; Tomczak & Brem, 2013). Social capital allows interaction to take place online or offline between crowd-funding members that result in developing crowd capital and relational social capital at the same time (Frydrych, Bock, Kinder, & Koeck, 2014; Gerber & Hui, 2013; Yoo et al., 2014). Symbolic capital also contributes through the choice of language and non-verbal communication that helps in the development of crowd capital and relational social capital at the same time as well (Heere et al., 2013; McArthur, 2015; Nakassis & Searle, 2013). Although unpleasant communication between crowd-funded members could affect their relationship, possessing similar aim and vision to invest in a particular project may help overcome the challenges that inhibit crowd-funders to co-create value. Since it has been found that crowd-funders and entrepreneurs co-create value (Colombo et al., 2014; Gummerus, 2013), crowd-funders also play a central role in the value creation process and decision-making process related to crowd-funding activity, in addition to entrepreneurs (Ordanini et al., 2011). It can, therefore, be contested that the elements that enable crowd-investors to relate to crowd-funding and crowd-funding projects include social identity, and the presence of crowd capital, relational social capital and symbolic capital, that impact upon the selection of a particular crowd-funding project by crowd-investors to invest in. The presence of trust (i.e. relational social capital) between the crowd-funders, therefore, will lead to the change in the perceptions, attitudes, values, motivations and preferences of the crowd-funders as well as other stakeholders, such as entrepreneurs, sponsors and crowd-funding platforms, thereby, resulting in the value creation within social, economic and environmental spheres, thus, a step forward towards enabling social change in society.

Crowd-funding is a useful tool that responds to the unmet needs and wants of the public by providing investment opportunities to crowd-investors and through the support and promotion of the entrepreneurial projects. This framework, therefore, intends to emphasise and reinforce the creation of shared value among crowd-funding stakeholders. Since value creation is essential for achieving sustainability in social and economic systems in society (Acs et al., 2011; Gummerus, 2013), the contribution of crowd-funding to achieving value creation for organisations, individuals and society can be seen through multiple projects being undertaken within the realms of crowd-funding in varied sectors. It can, therefore, be posited that stakeholders involved in crowd-funding processes may enhance building of positive social identity, social capital, crowd capital and engender trust through providing support to individual crowd-investors at the project and organisational levels (such as crowd-funding platform level). In addition to providing support, government may help crowd-funders access information that may be useful and essential for crowd-investors in making wise investment decisions at individual level. This framework, therefore,

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simplifies our understanding of preferences and motivations of crowd-funders, so that efforts are made by entrepreneurs, government, policy-makers, investors, sponsors, scholars and crowd-investors themselves to include crowd-investors at every stage of the product development and testing process, so that shared value is generated throughout the crowd-funding process, thus, bringing crowd-funders closer to the crowd-funded products and projects.

A Classic Way to Maximise Social Value and Impact Through Crowd-Funding

Social enterprises lead in the creation of social value and work towards identifying and tackling social problems of society in many ways (J. Austin, Stevenson, & Wei-skillern, 2006). The primary aim of social enterprises is social and environmental value creation and maximisation, whilst their secondary aim is profit maximisation in order to reinvest their profits back into solving social problems of the community (Desai & Ács, 2007; Jiao, 2011). Social enterprises strive to achieve triple bottom line i.e. the creation of social, environmental and economic value for the welfare of the community (Cornelius & Wallace, 2013; Peloza & Shang, 2011; Ruebottom, 2011). This is why social entrepreneurs are considered as social change makers, due to their capability of creating social and environmental value despite resource challenges (J. Austin et al., 2006; Ridley-Duff & Bull, 2011). The success of these enterprises are attributable to their presence in public, private and third sectors and within their local communities (Acs et al., 2011; J. Austin et al., 2006; Dacanay, 2012). Social entrepreneurs are as much as intrinsically motivated as extrinsically to achieve social aims that they continuously look for opportunities that help them become self-sustainable in the long term (Acs et al., 2011; J. E. Austin & Seitanidi, 2012; Jiao, 2011; Porter & Kramer, 2006; Ruebottom, 2011).

Utilising social entrepreneurship model that advocates creation of enterprises primarily for the benefit of society, societal value could not only be created, but possibly maximised. Motivations of crowd-investors to invest in social enterprises vary from social, psychological, cognitive to financial, and may contribute towards the success of social enterprises (Lehner, 2013). Crowd-funding models are being used by social enterprises, some of which provide social finance to entrepreneurs for the creation of social and environmental value in society (Perilleux, 2015). For instance, Trillion Fund, a fastest growing social enterprise in the energy sector, develops projects on renewable energy and utilises crowd-funding to create economic, social and environmental value for individuals, organisations and society as a whole (Earley, 2015; Groves, 2015a). Since social enterprises have a huge potential to positively impact society, it can, therefore, be argued that if social entrepreneurship and crowd-funding model, such as social crowd-funding finance, are combined together, it may be possible to maximise and add societal value for the overall development and welfare of society.

Additionally, the framework discussed above also demonstrated that by adopting social crowd-funding finance model, it may be possible to engage community members and help them become crowd-funders or entrepreneurs, leading to increased community and social cohesion. Moreover, as crowd-funders, the members of society may not only propose and consume a product, but may become the lead users, thereby, leading the product innovation through their expertise and timely anticipation and identification of the future consumer needs (Ordanini et al., 2011). Most importantly, by scaling up investment in social crowd-funding finance model, the power to run and change a society will be transferred back to the crowd-investors and the public that contribute in various crowd-funding models (debt, equity, donation, reward, sponsoring, CFFF and social crowd-funding finance) directly and indirectly in the first place, thus, leading to the possibility of democratic social change in society. The potential of crowd-funding

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as a powerful tool to systematic social change through community involvement and engagement must not, therefore, be underestimated.

FUTURE RESEARCH AND RECOMMENDATIONS

There are many gaps in the literature related to crowdfunding, some of these gaps are mentioned below. Firstly, in order to understand the motivations of a crowd-investor, it is essential to understand the construct of crowd-funding through the application of social constructionist paradigmatic approach to research. Since, the crowd-investors may possess distinct understanding of crowdfunding, and its application, and may possess common values that these projects exhibit, social constructivism approach to future research will contribute towards exploration, and prediction of motivation, preferences and behaviours of crowd-investors (Hennink, Hutter, & Bailey, 2011). Secondly, there is a need to conduct an in-depth study on social and economic conditions that facilitate or hinder crowd-funding activities to take place in order to ease the investment process for both the crowd-funders and the entrepreneurs in the present society. Thirdly, investigation into the impact of social identity and symbolic capital on crowd-funding and crowd-funder motivations in a real world setting. This research will be useful for understanding crowd-funders in a particular society. Fourthly, empirical exploration and research on the theoretical basis of symbolic convergence theory of communication and social identity theory in relation to crowd-funding will help us expand our knowledge and information base to understand the perceptions and motivations of crowd-investors in detail. Most importantly, further empirical research into the social crowd-funding finance model and social entrepreneurship related to crowd-funding will increase our limited understanding of the social, economic and environmental impact and the factors that influence or hinder these crowd-funded social projects.

CONCLUSION

Crowd-funders play a central role in enabling an entrepreneurial project to be funded, supported and promoted in the community. From the product development and testing through to distribution, crowd-funders are involved in all the key stages actively and passively. Therefore, it is imperative for all stakeholders, including entrepreneurs, sponsors, crowd-funding platforms, and government to understand the perceptions and motivations of crowd-funders to be able to increase their involvement, engagement and responsibly respond to their needs and wants. The crowd-funder value framework posited the need to reflect and consider the motivations and perceptions of crowd-funders during crowd-funding projects at all stages due to the impact crowd-funders have on entrepreneurial activity and the value of their predictions of future societal needs. This research emphasises the need to understand theoretical basis of crowd-funding research by elaborating on the social identity theory and symbolic convergence theory of communication. These theories are not only inter-related but also prove an in-depth understanding of the process of crowd-funder engagement or disengagement. This research argues that social capital and symbolic capital are essential for the creation of crowd capital and social capital, along with building of relational social capital (i.e. trust), which leads to the creation of societal values, such as social, economic, environmental and culture for the benefit of individuals, organisations and society, thus, leading to positive social change.

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KEY TERMS AND DEFINITIONS

Crowd Capital: Refers to the social, economic or cultural resources available to a particular group that can be accessed and utilised by its members when required.

Crowd-Funder Value: The value of engagement and involvement of crowd-funders at all stages of crowd-funding due to the potential positive contribution to the investment process.

Crowd-Funding Platforms: A third party service for enabling crowd-funding activity to happen by bringing together crowd-funders and crowd-funders (i.e. entrepreneurs).

Social Enterprise: An organisation that aims to benefit society by undertaking community projects, employing jobless, and looking after vulnerable populations.

Social Identity: The perception of self in relation to others when belonging to a particular group, and the feeling of similarities and differences in relation to others.

Social Relational Capital: The strength in the bond shared with others, and refers to building trust gradually.

Social Value: The social benefit that arises by employing community resources and engaging the members of the community.

Symbolic Capital: Refers to the non-verbal communication and pointers indicating that a person may belong to a specific group, by way of its associations to non-tangible things, such as brand identity.

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Section 3
Tools and Technologies

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Chapter 28
Hunger Hurts:
The Politicization of an Austerity Food Blog

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ABSTRACT

Austerity food blogs have become prominent as household food budgets have become tighter, government finances constrained, and an ideology of austerity has become dominant. The British version of austerity privileges reducing government spending by cutting welfare benefits, and legitimizes this through individual failure explanations of poverty and stereotypes of benefit claimants. Austerity food blogs, written by those forced to live hand to mouth, are a hybrid form of digital culture that merges narratives of lived experience, food practices and political commentary in ways that challenge the dominant views on poverty. The popular blog A Girl Called Jack disrupts the austerity hegemony by breaking the silence that the stigma of poverty imposes on the impoverished and by personalizing poverty through Jack Monroe's narratives of her lived experience of it, inviting the reader's pity and refuting reductionist explanations of the causes of poverty. Monroe also challenges austerity through practices derived through her personal knowledge gained during her struggle to survive and eat healthily on £10-a-week food budget. This combination of narrative and survival practices written evocatively and eloquently resonate powerfully with readers; however the response to Monroe's blog highlights a deep uneasiness in British society over growing levels of poverty, and deep divisions over who is responsible for addressing it; and more fundamentally, over identifying and defining the modern poor and modern poverty.

INTRODUCTION

The eponymous blog *A Girl Called Jack* tells the story of an unemployed single mother's rapid descent into and rise out of food poverty in austerity Britain. When faced with escalating poverty Jack Monroe sold nearly everything she owned or had been given, moved with her son into a single room in a house share, started feeding the two of them on a shoestring budget using recipes she concocted or adapted, and blogged about her experiences. Monroe is unusual in that her budget recipes were initially created from free emergency relief parcels from her local food bank and supermarket 'value' or 'basic' packs

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bought during her £10-a-week food shop because that was all she could afford. Her blog not only includes recipes; it also details daily struggles to survive, and after Monroe's intensely personal account of the pain of poverty went viral, she attracted local, national and international media attention to her blog. Her writing has expanded onto other platforms including a weekly recipe column in a national newspaper, political commentaries in a range of broadcast and online news media, and two books based on her blog recipes. Monroe has also won awards for 'revolutionizing' budget cooking, and rejected an offer to sell her life rights for a Hollywood film. At one level, this is an archetypical narrative of individual triumph over adversity, albeit with a social media angle. At another level, *Jack* challenges the ideology of austerity that became dominant after the 2010 election of a Conservative-led government in Britain, and in particular the valorizing of cuts to welfare benefits, the ascribing of the causes of poverty to individual failure, and the stigmatizing of benefit claimants. Monroe's experiences of the direct effects of benefit cuts and poverty politicized her (Monroe cited in Godwin, 2013). As her financial situation improved with income from writing, Monroe reinvented herself as an anti-poverty campaigner, drawing on her lived experience, a natural eloquence, and the platform that her media profile and sizable social media following gave her.

Jack needs to be understood within the wider context of 30 years of the rise of 'mass poverty' in Britain in which a growing number of people, like Monroe, report missing meals so they can feed their children or because they cannot afford to buy food (Lansley & Mack, 2015; Oxfam UK, 2012). This upward trend is due to a wide range of factors including long-term structural changes to the job market and systemic changes to welfare benefits. Britain's post-war welfare system was based on a normative belief in the role of the state in ameliorating poverty through an inclusive welfare system available to everybody at the point of need from 'cradle to grave' (Field, 2011). The rise in mass poverty coincides with a 30-year 're-imagining and re-constructing' of this conception of welfare (see Clarke, Gewirtz, & McLaughlin, 2000, p. 2), most notably when the 1997 Labour government reconstituted welfare as 'workfare,' restricted benefit payments and made them contingent on 'evidence' that claimants were seeking employment. The 2010 Conservative-led government drew on a new ideological and moral mantle of austerity with its emphasis on reducing the public deficit to expand workfare, legitimize 'the most radical reshaping of welfare policy since 1945' (Hamnett, 2014, p. 490), and further cut benefits. Charities and churches are openly critical of the government doing so at a time of financial crisis (Perry, Williams, Sefton, & Haddad, 2014) and medical experts warn that the government's austerity agenda has reversed 60 years of progress made against food poverty, and that an impending public health crisis is brewing (Ashton, Middleton, & Lang, 2014). While the poorest in society, particularly the unemployed, have been disproportionately affected by these changes (Lansley & Mack, 2015), more generally, household budgets across the country have been constrained by rising global food prices and falling or stagnating incomes. It is in this context that austerity-related blogs and television programs focused on the practices of making cheap, healthy meals have proliferated.

The concern here is with austerity food blogs written by those who due to force of circumstance live hand to mouth (Wren, 2013), and a hybrid form of digital culture that combines narratives of lived experience of poverty, practices developed to survive it, and political commentary. Thus, the blogs provide a bottom-up social history of food poverty at a critical juncture when welfare reform and the age of austerity have converged. Blogs facilitate this history by providing platforms for ordinary people to circulate their narratives of lived experiences, recount daily practices, and comment on wider social developments. Austerity food blogs are distinctive in that they are organized around a central motif of food poverty and surviving it; furthermore, their vantage point of the lived experience of poverty

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potentially offers alternative views to much political discourse and popular culture. *Jack,* an exemplar of austerity food blogs, resonated powerfully as Monroe made her private trauma public, in so doing disrupting the stigmas and shame imposed on the impoverished. In making visible the vulnerabilities of a mother unable to feed her child adequately, she personalized poverty inviting the pity of readers and their proximity to her subjectivities. In detailing practices she developed to survive, Monroe resisted the stigmatizing of benefit claimants as work-shy, irresponsible, and self-indulgent by politicians seeking to legitimize austerity policies. Monroe grounded these practices in the grinding banality of a daily struggle to survive yet also provided a creative response to poverty in the form of budget yet healthy recipes circumscribed by the financial realities of a £10-a-week food shop and fluctuating food prices. Ultimately, Monroe challenged the ideology of austerity by personalizing the effects of government policies on an individual life and reasserting the role structural change and systematic failures play in acute poverty. As *Jack* moved from relative obscurity on the margins of the blogosphere to center stage, Monroe's ideas and discourses found a broad-based platform from which to mount this challenge.

FOOD BANKS, THE AGE OF AUSTERITY, AND STIGMATIZING THE POOR

Critical to Monroe's survival was her referral to charity-run food banks (Monroe, 2012) that distribute short-term emergency food relief to ameliorate hunger among the poorest in society. Unlike the American and Australian variants, British food banks distribute food directly to those referred by a doctor, care worker or school to take home and cook (Downing, Kennedy, & Fell, 2014). Ten years ago, Britain did not have any food banks but by 2014, the largest food bank operator was running over 400 and opening a further two a week (Perry et. al, 2014). Food banks are a new manifestation of older forms of charitable food provision such as alms for the poor in the Middle Ages and the soup kitchens of the Industrial Revolution and wartime Britain. During the twentieth century this fragmented provision was unified into a welfare system based on normative assumptions about the moral responsibility of the state and the practical application of this in benefit payments for housing, food and health (see Vernon, 2009). However, by the end of the twentieth century these normative assumptions had eroded, the state was withdrawing from its welfare role, and in the early part of the twenty-first century, new forms of charitable provision have emerged in the form of food banks to fill the void. The Government argues that there is no statistical evidence of a link to their austerity policies; however, charities and churches counter that the single biggest reason cited for recourse to food banks are systemic failures, in particular delays, cuts or non-payment of benefits (Downing et al., 2014). The perception of a link is highly sensitive as can be seen in the initial reluctance of parliament to debate the role of food banks (Sedgwick, 2013) and in their prominence in the 2015 general election debates (BBC News, 2014; SNP, 2015). Monroe in blogging about her personal experience of food poverty and food banks has become a key voice in an often emotive and polarized debate about the government's austerity agenda.

The escalation of food poverty in Britain after 2008 coincided with the emergence of a 'default' response across the European Union to the debt crisis. This response is rooted in a neoliberal ideology of austerity based on the normative premise of rebalancing the economy to improve competitiveness, and doing so by reducing the state's budget, debts and deficits through the raising taxes, cutting spending or both (Blyth, 2013a, 2013b). Mark Blyth argues austerity is based on a 'narrative fiction' that reduces the cause of the debt crisis to an 'orgy of state spending' so privileges cutting public spending in response to the economic crisis (Blyth 2013a, pp. 738–739). Notwithstanding the damage caused to the economy

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and individual lives, the ideology persists, he argues, because of an 'intuitive' or common-sense appeal that the public can relate to, making it easier for politicians to sell benefit cuts—that is, 'you do not spend more than you have' and that 'you can't cure debt with more debt' (Blyth, 2013b, p. 2). The variant of austerity adopted by the Conservative-led government after the 2010 election has privileged benefit cuts over tax rises in ways that chimed with the party's historic ideological commitment to shrinking the welfare state (see Thompson, 2013). Minsters have legitimized these cuts not only through appeals to common sense but also through a moralistic argument that responsible government is prudent and encourages individual responsibility and self-reliance (see Thompson 2013). They present austerity policies aimed at 'capping welfare' and 'getting people back to work' as a manifestation of government rectitude premised on the belief that the cause of poverty is individual failure rather than structural change, so the individual is responsible for addressing their own poverty (see BBC News, 2013; Thompson, 2013).

The individual failure view of poverty assumes that most benefit claimants, of which Monroe was one, are out of work due to their own fault, have not done enough to find work, or do not want to work. This stigmatization also assumes that the welfare system rather than serving as an emergency safety net has created a dependency culture that incentivizes indolence and expects the taxpayer to fund a lifestyle through benefit payments (see Lansley & Mack, 2015). Food banks are seen as a variant of this culture rather than a manifestation of genuine need (Morris, 2013; Morse, 2013; BBC News, 2013). Ministers have used these stigmas to legitimize benefit cuts not only in instrumental terms of forcing people back into work, but also in moralistic terms of acting in the individual's best interest by weaning them off dependency and encouraging self-reliance. British popular culture reinforces this stereotyping by presenting benefit claimants as unable to manage their own finances and enjoying a self-indulgent lifestyle of large televisions, tattoos, and unhealthy diets of cheese, chips and takeaways paid for by the taxpayer (Deans, 2013; Hollows & Jones, 2010; Littlejohn, 2013). Right-wing newspapers further accentuate the polarization of society by distinguishing between the work-shy 'skivers' living off benefits and the hard-working 'strivers' whose taxes pay for benefits (Littlejohn, 2013; Williams, 2013). Recent research has suggested that public attitudes have begun to shift 'into line' with political rhetoric and popular culture in privileging an individual failure explanation of poverty and skepticism about benefits as a 'solution' to poverty (Clery & Lee, 2013). Thus, the moralistic meanings of austerity juxtapose the valorizing of individual prudence or thrift, self-reliance and hard work against a set of stigmas that view poverty in terms of individual failure, dependency, indolence and self-indulgence. Monroe's blog challenges this individual failure explanation which moralizes and stigmatizes the poor.

IDEOLOGY, BLOGS, AND FOOD

This article is based on the premise that the politics of food poverty is rooted in ideological struggle, where popular culture is a key site of engagement, and mainstream media have historically played a central role in circulating and legitimizing or delegitimizing certain ideas and 'realities' over others (Bates, 2001; Block, 2013; Fiske, 1992). Convergence culture highlights the emergence of a more fragmented and diverse media landscape since the 1990s and a multiplicity of different opportunities for content creation that reinforce or challenge existing hegemonies and flow between different platforms (Jenkins, 2006; Jenkins & Deuze, 2008). Personal blogs narrate the lived experiences of ordinary people, chronicling everyday happenings in the blogger's life and capturing their thoughts and emotions on how wider events impact their personal lives (see Tremayne, 2007). Some narrations open 'families, feelings and intimate

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relations to public politics' in which private trauma and pity made public become 'cultivated ways of knowing' that sit alongside reason rather than supplant or displace it (Jolly, 2011, p. vi). Such narratives offer catharsis for the individual blogger (Nardi, Schiano, Gumbrecht, & Swartz, 2004) or as Monroe expressed it, 'blogging about £10 a week food shop helped me cope with life' (Monroe, 2013c) and they invite strangers to share in the lived experiences and subjectivities of the blogger. Campaigning blogs, which *Jack* becomes, are often premised on the belief that extending and accepting such invitations has the potential to 'serve as vehicles of social and political transformation' (Lénárt-Cheng & Walker, 2011, 141). This belief in the transformative power of lived narratives dates back to the Enlightenment; what is new is a greater willingness and ability to share these lived narratives, an awareness of the 'power of intimacy in individual life stories' and a 'belief in the potential communal effects' of making the private public (Lénárt-Cheng & Walker, 2011, p. 141). Monroe echoes some of this when she says that in attempting to 'explain again and again' that people 'can starve on benefits … [I] find myself a stuck record, plastering my personal circumstances across the media in an effort to make people understand' (Monroe, 2013e).

However, for blogs to be able to do this they need to be widely circulated. Consumers now actively search out new information and, as *Jack* demonstrates, can find it in a multiplicity of ways by reading her recipes or articles on mainstream media or accidentally via a Google search, hypertext links from other blogs or hearing about her on the radio or television. Social media interact with rather than replace traditional media; the latter still playing a critical role in raising the profile of bloggers such as Monroe and bringing their content to the attention to a wider audience (Tremayne, 2007). However, most personal blogs remain relatively obscure with a limited circulation, read by only a handful of friends and family (see Tremayne, 2007). The exception is food blogs, some of which have become 'online sensations turned print bestsellers' with mainstream media constructing celebrities out of previously obscure bloggers (see Denveater, 2009).

That food is able to attract such attention highlights its unique centrality in our lives and the potential for food-related issues to resonate. Food combines biological necessity, commodity, artifact and social relations; but each of these and the interactions between them are encoded with meanings that signify and that can evoke powerful emotions that resonate so reinforce or disrupt existing ideas and beliefs. That is, food is both material and symbolic but it is also ideological, political, and contested. It is not only about buying and selling, creating and consuming the material; food as artifact is a 'highly condensed social fact' (Appadurai, 1988, p. 494) that 'sums' up the individual situation, societal context and the power relations in which it is produced and consumed; in this case of food poverty. In signifying, food serves as 'vehicles' through which the political and cultural ideologies such as austerity are circulated, imposed and resisted (see LeBesco & Naccarato, 2008, p. 1). Decoding food thus draws attention to the hidden meanings and ideologies embedded in artifacts, practices and processes as well as the systems of domination and resistance.

A Girl Called Jack is concerned with a particular set of meanings used to make sense of food poverty and the constantly renegotiated tension between food as political and ideological construct rather than just commodity. Humans must eat to survive yet as omnivores they have discretion over what to eat as well as the creativity and technology to transform selected raw materials into cultural artifacts to be consumed, shared and enjoyed, or captured in the written format of recipes and circulated (see Fischler, 1988). However, food as commodity draws attention to the ideological, political and market relations that circumscribe what individuals such as Monroe can afford, what choices are available to them, so what they can create and, in extreme cases, whether they face a threat to survival. As Amartya

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Sen notes, food poverty is not only about supply; 'people starve in front of shop windows full of food' (1983 cited in Douglas, 2003, p. 31) or as Monroe (2013h) put it, 'we went hungry in the world's seventh richest nation.' Food poverty, sometimes called food insecurity[1], refers to an individual's inability to, or uncertainty about, consuming an 'adequate quality or sufficient quantity' of food to meet what a society deems to be the nutritional needs and norms of an adequate or healthy diet (see Dowler & O'Connor, 2012, p. 4). There are no official figures in Britain but studies estimate that as many as one in five Britons have gone to bed hungry (Lansley & Mack, 2015; Oxfam UK, 2012), meaning the majority have little experience of food poverty. The power in Monroe's blogging lay in her narrations of the realities of her struggle to survive in ways that readers could relate to, bringing a proximity to the experience of food poverty. Monroe's personal blog thus provides a platform for connecting at a human level, so challenges the depersonalizing of the poor accentuated in Britain's age of austerity.

A GIRL CALLED JACK: DISRUPTING STIGMAS, CHALLENGING AUSTERITY

Austerity food blogs have emerged out of conditions of austerity and take as their raison d'être opposition to an ideology that has translated under the Conservative-led government into welfare cuts legitimized through an intuitive appeal about affordable spending and particular constructions of poverty based on stigmatizing the poor. The emotional valence of stigmas lies in shame; a co-construction of 'internally felt inadequacies and externally inflicted judgments' (Chase & Bantebya-Kyomuhendo, 2014, p. 5) that lie at the 'irreducible absolutist core' of the idea of poverty (Sen, 1983, p. 159).[2] External shame in Britain is imposed on the impoverished through norms surrounding work in which people are defined by and valued in terms of their job title and material possessions (see Monroe, 2012) and conversely, those out of work are often blamed for their own condition of poverty. Individual failure explanations then stigmatize benefit claimants as 'scroungers' or 'skivers' sponging off the hard-working and thrifty. Social shame is also 'internalized and experienced as a powerful negative emotion that results in social withdrawal and a sense of powerlessness' (Walker, 2014, p. 2). The 'dynamic interaction' in the co-construction of shame serves to silence the voice of the impoverished (Chase & Bantebya-Kyomuhendo, 2014, p. 5) with internalized social shame often maintaining an outward façade of normality (Walker, 2014). The façade hides what in the age of austerity is an 'epidemic of private despair … with no public spectacle to observe' (Chakrabortty, 2015). *Jack* disrupts the co-construction by making Monroe's internalized shame of poverty public, breaking the silence that confines it in private spaces.

Monroe's narratives include the physical experience of missing meals and going hungry, and being cold and wet, but it is in the relating of the trauma of poverty and in particular the pervading emotions of shame and fear, that her blog resonated, inviting pity through the affective. For instance, Monroe recounted her initial reluctance to let family and friends know 'how bad things' were, preferring instead to maintain the appearance of normality (Monroe, 2013e); of 'wanting to sink into the ground' when recognized at a food bank and of the embarrassment in meeting someone's eye when they know 'you are desperate and not coping' (Monroe, 2013k); of having to 'introduce' her son to the pawn shop (Monroe, 2012) and the 'gut-wrenching' fear and humiliation of 'failing as a parent' because she was not able to feed him (Monroe, 2014). While the particularities of her situation may be unfamiliar to most readers, the affective dimensions are not; the emotion of shame in relation to poverty is universal (Walker, 2014) and it is through evoking familiar emotions that Monroe invites proximity. The anecdotes of personal

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shame and fear become the vehicle through which the reader can identify with, and understand, the 'core' of poverty that Sen identified, and enable *Jack* to disrupt the co-construction of shame, enabling Monroe to challenge the individual failure accounts of poverty.

The challenge is problematic. In resigning from a £27,000-a-year job, Monroe was complicit in her impoverishment, a point her critics have seized upon (see Littlejohn, 2013; Selby, 2014). However, Monroe's narrative of the interweaving of mutually reinforcing factors in her rapid descent into poverty highlighted the reductionism in these criticisms and individual failure explanations. Her counter-explanation of resigning because she could not get childcare cover for her night shifts (Monroe, 2012) drew attention to the changing nature of households and the lack of support for single mothers. In describing 300 job applications that were rejected because she was '"too old"' at 23 … [and] "16-year-olds were cheaper to hire"' (Monroe, 2012, 2015a), Monroe drew attention to the structural changes in the job market that are contributing to a 30-year rise in poverty. In detailing the impact of 'administrative backlogs' and an 11-week wait for housing benefit on her spiraling debt and going to bed hungry (Monroe, 2012, 2013e, 2015a), Monroe drew attention to the material consequences of the systemic chaos that has followed from the austerity reforms. Monroe's challenge therefore is to reductionist explanations of poverty that decontextualize unemployment, assume people are unemployed because they choose not to work and remain silent on the adverse consequences of austerity policies for those struggling to find a job.

Monroe's most vehement challenge is to the state's inaction on, and indifference to, poverty and stigmatizing of food bank users to justify this. So, when government ministers claimed that food bank use is due to 'financial mismanagement' of household budgets (BBC News, 2013); Monroe counter-claimed with a narrative of how delayed benefits payments mean those on very marginal budgets face consequences in spiraling debt from arrears, charges and fees (Monroe, 2015a). When they claimed child poverty is due to irresponsible parenting; she counter-claimed that 'in cutting welfare lifelines' it is the state that is irresponsible in 'sending its children to school, to bed, to work hungry' (Monroe, 2013d). When senior politicians claimed that food bank users were undeserving of 'sympathy' because they were 'just rational opportunists,' and growing demand was due to the availability of 'free food' (Edwina Currie cited Monroe, 2013d) she highlighted factual inaccuracies in their comments and counter-claimed this demonstrated 'a disconnect from reality' (Monroe, 2013g). When MPs voted for a 'bedroom tax' which effectively reduced housing benefit by £16, she drew attention to their '£66,000-a-year-plus expenses salary' and accused them of 'hypocrisy' (Monroe, 2013j). Thus, Monroe constructed the government as 'casting around to blame anyone else' while ignoring the cold face of true poverty in the UK, as irresponsible and neglectful. She thus inverted the moralizing and stigmatizing of government to legitimize austerity, accusing them of financial imprudence, irresponsibility, self-indulgence, and neglect. Similarly, she inverted the social shame imposed on the impoverished, turning it on MPs by asking why they were 'not ashamed' when constituents could not afford to feed themselves (Monroe, 2013f) and why a society is not ashamed when people take back food bank parcels because they cannot afford to heat them (Monroe, 2013h). However, the rolling back of the welfare state by successive governments has seen a rethinking of the normative assumption that the state would be the primary provider of welfare, so the apparent lack of public shame is unsurprising because social norms are shifting. At a practical level, the accelerated shrinkage of state welfare at a time of austerity has left an unfulfilled need that food banks only partly fill because their remit is short-term emergency relief not the addressing of long-term chronic poverty. The popularity of *Jack* is not only due to Monroe's vivid and moving writing; it is also due to her detailing practices she developed to survive.

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GROUNDED PRACTICES: NEW FORMS OF SURVIVAL TECHNIQUES, CREATIVE RESISTANCE

Austerity food blogs are more than narratives of lived experiences and political commentaries censuring austerity policies; they capture, archive and circulate a particular grounded-practice type of knowledge derived from the grinding banality of the blogger's daily struggles to survive poverty on very tight household budgets, and built iteratively and reflexively around routines of grocery shopping and cooking. The knowledge distilled from these changes become new forms of survival techniques, captured and circulated online.

The need for survival techniques has arisen from major social changes since the 1970s. At the same time as a reshaping of welfare, there has been a reshaping of British households and the social norms of eating in the home. The growth in single-parent families, working mothers, busier lives and the loss of stigma attached to convenience food has seen a dramatic increase in ready meals (Craven, 2013; Purves, 2013) to the extent that '"as a society we have lost our ability to cook"' (Baronness Anne Jenkin cited in Elgot, 2014). A cross-party parliamentary inquiry into 'feeding Britain' concluded that across the demographic spectrum there has been a loss of basic skills in how to shop on a tight budget and how to prepare and make a 'meal from scratch,' leaving many households ill-equipped to survive financial crisis (All-Party Parliamentary Inquiry, 2014). Monroe's transformation of a diet from living on cheap processed ready meals and little fruit and vegetables followed from her reflections on how their diet had 'led to poor sleep patterns, a constantly hungry child and ... spots [on her face]' (Monroe, 2013a). She decided to 'cook meals from scratch' based on her £10-a-week food shop because that was all she could afford.

The starting point of the transformation was Monroe's £10-a-week food shop, and her recipes detail a range of different techniques developed to maximize the benefits of what she could afford. The weekly shop became a carefully planned operation of stocktaking, online pricing of the cheapest and healthiest products (Monroe, 2015b), and a set of survival techniques for living on very small margins that also draw attention to the grinding banality of decision-making when a rise of 6p in the price of a jar of jam makes it unaffordable. Monroe's shopping practices are also consistent with the intuitive appeal of austerity, that is, that people do not spend more than they have, but in coming from a benefit claimant, it subverts the political ideology and challenges the assumption that certain beliefs about prudence are Conservative rather than more common ones.

Monroe started by collecting the ingredients off the back of a Lloyd Grossman sauce jar and from there created her own distinctive cuisine based on supermarket 'value' packs of vegetables and beans, chickpeas and lentils as staples. Her Internet research identified kale and spinach as particularly high in nutrition relative to cost and so feature in many of her recipes. They also capture the very tight margins that Monroe was working to with an average price-per-portion of 50p and, unusually, many of the recipes include price-per-portion making it easier for readers to substitute ingredients based on their own budgets. What she found to her 'surprise' was that 'my £10 a week budget extends to home baked breads ... wholesome protein-packed soups, winter warming casseroles and curries ... piles of fruit and vegetables' and she 'fell in love with home-cooked food again' (Monroe, 2013a). The recipes on *Jack* are thus the antithesis of the unhealthy 'chips and cheese' diet of the poor stereotyped in popular culture, and the antithesis of associations with austere Victorian gruel. Monroe also tapped into the wider green food and environmental movement out of necessity, shopping at her local supermarket because she could walk there, and, mindful of cooking on more expensive metered electricity, her recipes are fuel efficient, taking under 15 minutes to cook. She started to grow the herbs in pots in her kitchen, and in some of her

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interactions with readers of her blog, Monroe explored the feasibility of growing her own courgettes, tomatoes or peppers in a pot (see Monroe, 2013a). All her recipes can be made on the one-ring cooker or microwave common in cheap rented accommodation (All-Party Parliamentary Inquiry, 2014) and are thus the antithesis of the celebrity chef budget cooking shows which tend to be fuel inefficient and dependent on ingredients and equipment that are more expensive than that used by Monroe. Thus, the recipes that emerged out of Monroe's lived experiences and new forms of survival techniques shaped by the particular conditions of modern poverty become a form of creative resistance that 'revolutionized' budget cooking in austerity Britain. Not only are printed copies of her recipes handed out at food banks, they are also included in some of the free cooking classes the operators run (All-Party Parliamentary Inquiry, 2014) and led to Monroe winning a number of prestigious awards (Norton, 2015), bringing an institutional validation to her grounded practices if not to her resistance.

Monroe resisted stereotypes of benefit claimants as indolent and self-indulgent by detailing practices she developed to cope; based on prudence rather than profligacy and self-indulgence; individual responsibility rather 'scrounging'; and tight financial management of household budgets rather than the mismanagement that ministers assume to be behind the need for food banks. The grounded practices detailed capture the grinding banality of a daily struggle to survive yet also constitute a creative response to her situation. What *Jack* does is capture a range of survival techniques honed through personal knowledge and experience.

RESONATING NARRATIVES, CONFLICTED SYMBOL

The narratives on *Jack* resonated with many readers because they invited pity and offered a way to identify with Monroe's subjectivities; while the recipes offered grounded practices and techniques to survive on very low budgets (see Adams, 2014; Butler, 2013; Clay, 2013). The power of Monroe's grounded practices lies not only in the institutional validation afforded through awards, but also in their popular validation as widening circulation shifted the blog from relative obscurity on the margins of the blogosphere to center stage. Alerts about Monroe's latest recipes include some of the Guardian's most viewed tweets; her social media following has expanded from 10 in 2012 to over 60,000 on Twitter before she shut it down; 3300 on Instagram; over 47,000 'likes' on Facebook; and 3000 email subscribers. Journalists have labeled her a 'fledgling social media celebrity' 'Britain's austerity celebrity' (Altman, 2014; Bennhold, 2014; Clay, 2013) and the 'face of modern poverty in Britain' (Butler, 2013); a representative of the impoverished or symbol of resistance to government policies of cutting benefits. But what does this mean?

In disrupting the silence that the stigma of poverty imposes, and in making her vulnerabilities public and visible, Monroe has become a conflicted symbol. Supporters and sympathizers construct her as providing valuable insights into realities of modern poverty; a voice for those who have similar experiences to Monroe but lack the eloquence or platform she has; or someone who could '"be anybody's daughter"' (Bennhold, 2014). Skeptics question whether someone whose experience of poverty, albeit acute, was limited to two years can speak for the long-term unemployed and impoverished (see Hinsliffe, 2014). Critics on the left view her as a ''hero' of the middle classes not the poor,' representing the 'unholy trinity of modern leftist values—thrift, subsistence and health' rather than benefit claimants (Slater, 2014). While critics on the right reiterate the individual failure argument suggesting Monroe brought poverty on herself by giving up her job, and see her as emblematic of benefit culture in which hardworking taxpayers are 'forced to subsidise those for whom claiming benefits is a '"lifestyle"' choice' and which

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government is trying to dismantle (Littlejohn, 2013). They too see her as distant from 'ordinary people' not because she is articulate, but because her recipes include kale, which is 'too posh,' and red wine which is too extravagant for someone who is genuinely struggling (Hartley-Parkinson, 2014; Littlejohn, 2013; Monroe, 2013c, 2013i). Thus as much as Monroe's narratives and grounded practices resonated, resisting and disrupting the stereotypes, they also exposed quite profound deep ideological divides in Britain. As much as she is 'loved' by many; she is 'loathed' (Adams, 2014), but that says more about the toxic politics of food poverty in Britain than it says about Monroe herself.

CONCLUSION

This article has used *Jack* to explore a new type of hybrid blog that merges narratives, practices and political commentary, and emerged in the particular context of the convergence of a shrinking welfare state and a dominant ideology of austerity, rising levels of food poverty, new forms of food banks to provide emergency food relief, and tighter household budgets generally. The preoccupation with how to survive austerity has seen a proliferation of new cultural forms on mainstream and social media that privilege thrift and budget cooking. Austerity food blogs are distinctive, written by those who forced to live hand to mouth and take as their dominant motif food poverty, and therefore provide valuable insights into the subjectivities of Britain's modern poor and the ways in which they disrupt and challenge the dominant ideology of austerity and explanations that view poverty in moral terms of individual failure. Monroe disrupted these by breaking the silence that external stigma and internal shame impose on the individual; in making public her private trauma she personalized poverty, inviting the pity of the reader and proximity to her subjectivities. Her personal narratives challenged the reductionism in dominant explanations by suggesting multiple factors contributing to spiraling poverty; her recipes derived from grounded practices of learning to live healthily on a very tight budget offer a new range of survival techniques and a creative resistance that defies stereotypes of what poor people eat. The response to *Jack* has been phenomenal in terms of Monroe's mainstream and social media profile, and the opportunity it has afforded her to rise out of poverty, forging a new career; one she never anticipated when she started blogging. For researchers, austerity food blogs are a rich source of material. The narratives of living with food poverty, the practices developed to survive it, as well as the wider public response to the blog offer social insights into the subjectivities of food poverty. While *Jack* resonated powerfully, the challenging of austerity highlights a fragmented public conversation about what the blog and recipes symbolize as well as more fundamental questions as to who the modern poor are and what modern poverty is.

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ENDNOTES

[1] Civil society organizations increasingly use the term "food poverty" but it lacks a consistent and agreed definition despite established definitions in research literature. The term "food security," while employed in policy circles, has yet to translate into public discourse (Lambie-Mumford & Dowler, 2014, p. 1421).

[2] Credit is due here to the editor of *IJEP*, Dr Yasmin Ibrahim, for drawing my attention to this point about shame, the silencing effect it has and its significance therefore for austerity food blogs.

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Chapter 29
Lorenz Curve, Gini Coefficient, and the Income Inequality in Turkey in the Last 13 Years

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ABSTRACT

Today income inequality and poverty are among highly disputed issues all over the world. It has been well understood that this problem can not be solved only with economic growth. Some social policy implementations conducive to redistribute the national income are essential to create a decrease in social and eceonomic inequalities. This is also true for Turkey. In last decade Turkey has managed high growth rates, budget discipline and improved some basic public services. As a result, absolute poverty rates decreased considerably. Although Turkey's welfare regime is going through a serious transformation process with effect of EU accession process, these policies have not been able to reduce relative poverty rates and income inequalities. Consequently Turkey's last decade is marked by high gini coefficients and income inequalities. It is obvious that there is a great need to develop a welfare regime which is able to establish a fairer income distribution.

INTRODUCTION

Income inequality and poverty are among the most important problems awaiting a solution in Turkey as well as in the world. In order to realize their goal to attain the life standarts in developed countries, developing countries have to distribute the blessings of the eceonomic growth fairly among societal classes and individuals. The most important indicators that show the level of the fairness of this distribution are income distribution and poverty data.

The final aim of economic policies is to increase the level of welfare of all indiviuals and classes in a society. The most important way to analyse the change in the welfare of individulas and societies is to follow the changes in the statistics of income distribution and poverty. Although the increases in the growth rate and income per capita provide a general opinion about the change in the level of welfare,

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income distribution and poverty are the main indicators that should be taken into consideration in the assessment of the welfare distribution between different social classes and individuals. Even though the problem of income inequality and poverty has been on the agenda of societies all the time, it has had a special importance during the industrial capitalism which emerged after the industrial revolution (Çelik, 2004), after which wages didn't increase as much as profits and even decreased. This made the distribution problem more apparent and pressing leading to enormous social unrest and ideological conflict (Çalışkan, 2010, cited from Aksu, 1993).

After the era in which welfare state is prevailent following the World War II, in 1980's, economic theory dealt with long term economic problems such as growth and capital accumulation, and it was suggested that the problem of poverty and income inequality would be solved automatically with the economic growth. In this process similar tendencies came up in Turkey, too. But the increase of poverty and deterioration of income distribution especially in the developing countries led the problems to be seen as significant as economic problems. Today this issue is among the problems threatening social peace and waiting an urgent solution. To attain the social peace and stability is up to the social policies which reduce poverty, narrrow the income gap between the rich and the poor. Along with the sense of social state, social policies which enable poor people to benefit from the increase of wealth, occupied the agenda. The understanding of social state aims to enable the all citizens to benefit from the blessings of development as well as to realize the economic growth. (Çalışkan, 2010).

The importance of a peaceful social envirenment and fair income distribution rather than just growth of income is stated by Robert Kennedy as follows:

'GNP takes into account the air pollution, cigarette advertisements, the number of ambulances on the bloody roads, our private door latchs and the prisons set up for those who break these latchs. It includes the disappearence of the trees and the death of the Superior Lake. GNP increases with the napalm production, rockets, and warheads. But it doesn't take into consideration of the health of our families, the quality of the education of our children and their joy in their games. It also remains indifferent to plants where people work with their honor and to the streets where people walk peacefully. In short GNP counts everything except for those that make life meaningful' (Cited by Rifkin, 2004, p. 73).

INCOME DISTRIBUTION AND ECONOMIC INEQUALITY

Income distribution expresses the distribution of income produced during a certain time period in a certain country, between individuals, different social groups and production factors. Income distribution is about the income differentiation and at this point economic and social relations become clearer. In this context, it is said that income distribution is the main explanatory element of an economy (DPT, 2001).

Income inequality indicates the difference between the income shares received by different groups in society. The most important effects of income inequality on the society and economy can be stated as follows:

- The balanced distribution of total income in a country increases the production capacity and provides market expansion. The income distribution determines whether income will be used for consumption or investment, and which products will be consumed. That is, it determines the composition of consumption (DPT, 2001).

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- It is not just a matter of distribution but rather a matter of using resources efficiently in an economy which prompt the economic growth.
- Inequality causes social and political unrest, and this will eventually effect economic growth (Çalışkan, 2010).
- A socially acceptable income distribution is important for a society to move forward with national unity (Kurtipek, 2011).
- Wide income disparities tend to coexist with the underinvestment in human capital that is translated into long-run economic growth. The emprical evidence suggests that there is a high correlation between income and educational level (Thorbecke and Chorumilind, 2002).
- A large body of emprical evidence supports that, other things being equal, the level of income has positive effect on health (Thorbecke and Chorumilind, 2002).
- Income inequality has also effect on violence of macro (political conflict and civil war) and micro level. Income inequality has been found to affect such behavioral outcomes as higher rates of homicide and violent crime (Thorbecke and Chorumilind, 2002).

The Kinds of Income Distribution

There are four kinds of income distribution:

Functional Income Distribution

It is a distribution which classifies the income shares of production factors according to their function in the production process. In other words it is a distribution between wages, interest, profit and rent (Kuştepeli, 2012 cited from Aktan and Vural, 2002).

Individual Income Distribution

It is a distribution which indicates the income distribution between the individuals or households in the society. This kind of distribution considers all individulas equal and does not take into consideration the social class differences.

Per capita income calculated through the divison of national income by population is an example of this measurement (Kuştepeli, 2012).

Sectoral Income Distribution

This distribution categorizes the national income according to production sectors. Sectoral income distribution indicating the income shares of the sectors such as agriculture, industry, service, commercial sectors, provide some information about economic development of the country.

Regional Income distribution

It is the distribution of income according to the people living in the different regions in a country. This kind of distribution points out the differences between the developed and the underdeveloped regions, and is an important source for the policy makers (Kuştepeli, 2012).

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Defining Factors of Income Distribution

Defining factors of income distribution are as follows:

- The ownership of means of production
- The political and economic policies in the country
- The level of public services
- The social-traditional relations
- Labour market, the distribution of labour force, the level of organization of labour force
- The ways for political participation
- The distribution of production factors and their prices
- Education level
- The changes in the world economy (globalization, techonological change etc.)
- The changes in the country's economy (inflation, crises, budget deficits, privatiztion, devaluation etc.)
- The level of democratization
- Unemployment rate
- The location of the country (whether it is in a peaceful or conflictual area)
- The regional integrations.

Measuring Individual Income Distribution

Various measurement ways have been developed to meaure individual income inequlaity. Lorenz Curve and Gini Coefficient are the most important ones. The main purpose of measurement of the income inequality in a country is to stimulate the politicians to apply policies conducive to reduce the inequality and poverty (Çalışkan, 2010).

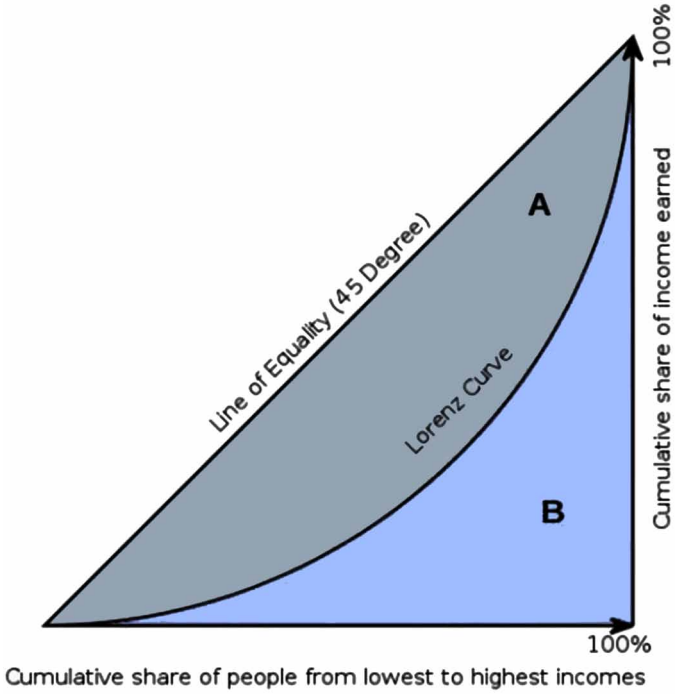
Lorenz Curve and Gini Coefficient

Lorenz Curve, which is a graphical demonstration that indicates the inequality in distribution of income among population, was developed by an American economist, Max Lorenz, in 1905 (Kurtipek, 2011). The Lorenz curve intersects the endpoints of a square's diagonal. Cumulative shares of income are indicated by percent on the horizontal side of the square (TURKSTAT, 2009). How may people live at the several percentage of income, and how much income they get are represented with the help of the Lorenz Curve (Kurtipek, 2011). If income distributed equally Lorenz Curve will be a line with 45 degree. This line is called perfect equality line. If the curve moves away from the line and becomes dented, it means that there is an inequality in income distribution. Lorenz Curve can be used to show what percentage of a nation's residents possesses what percentage of that nation's wealth (Kurtipek, 2011). The Lorenz Curve lies beneath the line of equality and shows the reality of wealth distribution. The area between the straight line and the curved line indicates the degree of inequality of wealth distribution, a figure represented by the gini coefficient.

As Lorenz Curve gets closer to the line of equality, income distribution becomes more equal and as it moves away from the line, distribution becomes more unequal.

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Figure 1. Lorenz Curve



Lorenz Curve can be used to compare the income distribution of a country at different time points or to compare the income distribution of different countries at the same time point.

There are two main reasons for widespread using of the curve. First, it can demonstrate the individual income distribution without depending on any volatile currency and without considering total national income level. Second, even if it is calculated for a certain part of a society, the results of analyse still makes sense. So, Lorenz Curve is the most understandable, most widespread method among several measuring methods.

Gini coefficient, the most general method for measuring the income distribution, was developed by Italian statistician Corrado Gini. Gini coefficient summarizes the income distribution measured according to Lorenz Curve with a figure. The coefficient is the division of area between the Lorenz Curve and the line of perfect equality (A) by the area which lies beneath the line of equality (A+B).

$$G= A \div A+B$$

Its value ranges from 0 to 1. A gini coefficient of 0 expresses perfect equality (everyone has exactly the same equal income). A gini coefficient of 1 expresses maximal inequality among the population (only one person or household has the total income). Income transfers between the income groups affect the gini coefficient (Kurtipek, 2011).

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Income Distribution in Turkey in the Last 13 Years

Brief History

During 1980s liberal economic policies and globalization process caused a fast economic growth besides income distribution inequalities and increased poverty (Akçacı and Kocağ, 2012). Government officials thought that this inequlaity and poverty would reduce with the increase of national income (Çalışkan, 2010). In this process Turkey witnessed three big economic crises in 1994, 2001 and 2008 and each of them aggravated poverty and income inequality rates in the country. TURKSTAT started to hold household surveys in 1987. Before this date, several institutions measured the gini coefficient. To make a comparison between these measurements is a bit difficult as their methods are not same. So, to focus on the TURKSTAT data and make assessment on it is a healtier approach. But as there is no other data we can look at other institution's data cautiously.

When we look at Table 1, we can see that, the situation of income distribution in 1980s deteriorated with the implementation of liberal economic policies after 1980s. In 1987 the poorest 20% percent of population received only 5.24% of total income (a) while this rate was about 50% for the richest 20%. The ratio of b/a is 9,6 in 1987. In 1994 the figures were 4,86% and 55% for the poorest and the richest percentage of population. The ratio of b/a increased to 11, 2 indicating a deterioration in the income distribution. The gini coefficient was 0,43 in 1987 and 0,49 in 1994. This table also shows that between 1994-2002 the income inequality diminished. The gini coefficient in 2002 is 0.44 and ratio of b/a is 9,5. The figures of 1987 are very close to that of 2002. In other words the deterioration between the 1987-1994 is compansated in the term between 1994-2002, and the gini coefficient has the tendency to decrease as low as 0, 38 in 2005. It is a good development but it is not sufficient and it is still too high (Çalışkan, 2010).

Table 1. Individual Income Distribution in Turkey According to 20% Percentage of Population

Source of Data	Year	Percentages of Population					Gini Coefficient	b/a
		The Poorest 20%	Second 20%	Third 20%	Fourth 20%	The Wealthiest 20%		
DPT	1963	4,5	8,5	11,5	18,5	57,5	0,55	12,7
AUSBF	1968	3	7	10	20	60	0,56	20,0
DPT	1973	3,5	8	12,5	19,5	56,5	0,51	16,1
CELASUN	1978	2,9	7,4	13,0	22,1	54,7	0,51	18,9
CELASUN	1983	2,7	7	12,6	21,9	55,8	0,52	20,7
TUSIAD	1986	3,9	8,4	12,6	19,2	55,9	0,46	14,3
TUIK	1987	5,24	9,61	14,06	21,15	49,94	0,43	9,6
TUIK	1994	4,86	8,63	12,61	19,03	54,88	0,49	11,2
TUIK	2002	5,3	9,8	14,0	20,08	50,1	0,44	9,5
TUIK	2003	6,0	10,3	14,5	20,9	48,3	0,42	8,1
TUIK	2004	6,0	10,7	15,2	21,9	46,2	0,40	7,7
TUIK	2005	6,1	11,1	15,8	22,6	44,4	0,38	7,3

Source: TURKSAT: http://www.tuik.gov.tr

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Table 2 shows us the change in income shares of different population groups for different countries in a detailed way.

As we can see from the Table 2, as shares of middle and low income groups decrease, the share of upper income group increases between 1980-1990. In this period it is evident that the lowest income group in Turkey gets poorer more than other lowest income groups in other countries except for Italy and New Zeland. The neo-liberal policies have effected income distribution negatively in all the OECD countries and Turkey is one of the most effected countries. The cause of the increase in inequality is explanied with neo-liberal policies (Bogazici University Social Policy Forum, 2010).

In Table 3, an improvement can be seen in income inequality between 1990-2000 in Turkey. The main reason for the improvement in the income inequality in this period is the rapid loss of income of the top income group. During the 2001 crises the ratio of GNP decrease was 10% (Bilge, 2009). All social groups experienced loss of income in the term between 1990-2000. As we can understand through the Table 3 the top group lost more than the other groups: So, the income distribution became fairer.

Table 2. Avarege Annual Change in the Real Income of Households in the OECD Countries from the Middle of the 1980's to Middle of the 1990's

	The Bottom Income Group	Middle Income Group	Top Income Group	Median	Mean
Italy	-1.3	0.5	1.5	0.6	0.8
New Zeland	-1.1	-0.5	1.6	-0.6	0.3
Turkey	-0.6	-0.7	1.4	-0.8	0.9
Norway	-0.3	0.3	1	0.4	0.5
Canada	0.3	-0.2	-0.1	-0.2	-0.1
Greece	0.3	0.1	0.1	0.3	0.1
Germany	0.4	1.4	1.6	1.2	1.4
Sweden	0.5	0.9	1.2	0.9	0.4
Britain	0.7	2	4.3	1.9	2.8
Japan	0.8	1.8	2.1	1.8	1.9
Finland	0.9	0.9	1	0.8	1.2
France	1	0.5	-0.1	0.5	0.3
Holland	1.1	2.7	3.9	2.8	3
Belgium	1.2	0.5	1.2	0.4	0.8
USA	1.2	1	1.9	1	1.4
Denmark	1.3	0.9	0.8	0.9	0.9
Luxembourg	2.3	2.5	3	2.4	2.7
Austria	2.5	2.7	2.8	2.8	2.7
Ireland	4	3	2.9	3.2	3.1
Spain	4.4	3.2	2.4	3.2	3
Portugal	5.7	6.5	8.7	6.2	7.3

Source: (Social Policy Forum of Bogazici Universy, 2010 cited from) OECD, 2008, Growing Unequal? Income Distribution and Poverty in OECD Countries.

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Table 3. Avarege Annual Change in the Real Income of Households in OECD Countries between the Middle of the 1990's to Middle of the 2000's.

	The Bottom Income Group	Middle Income Group	Top Income Group	Median	Mean
Austria	-2.1	-0.5	-0.4	-0.6	-0.6
Japan	-1.4	-1	-1.3	-1	-1.1
Turkey	-1.1	-0.5	-3.2	-0.3	-1.9
Germany	-0.3	0.5	1.3	0.6	0.7
USA	-0.2	0.5	1.1	0.4	0.7
Mexico	-0.1	-0.1	-0.6	-0.2	-0.4
Canada	0.2	1.2	2.1	1.1	1.4
Denmark	0.6	0.9	1.5	0.9	1.1
France	0.9	0.7	1	0.8	0.8
Hungary	0.9	1.2	1	1.1	1.1
New Zeland	1.1	2.2	1.6	2.3	1.9
Belgium	1.4	1.3	1.7	0.2	1.5
Sweden	1.4	2.2	2.8	2.2	2.3
Luxembourg	1.5	1.5	1.7	1.5	1.6
Finland	1.6	2.5	4.6	2.5	2.9
Holland	1.8	2	1.4	2	1.8
Italy	2.2	1	1.6	1	1.3
Britain	2.4	2.1	1.5	2.1	1.9
Greece	3.6	3	2.7	2.9	2.9
Norway	4.4	3.9	5.1	3.8	4.3
Portugal	5	4.1	4.4	4.2	4.3
Ireland	5.2	7.7	5.4	8.2	6.6
Spain	5.2	5.1	5	5.5	5.1

Source: (Social Policy Forum of Bogazici Universy,2010 cited from) OECD, 2008, Growing Unequal? Income Distribution and Poverty in OECD Countries, s.29

The distribution changed in this period slightly in favor of the middle classes. But the poorest group got poorer again (OECD, 2008).

If we look at the table 4 and 5 for poverty rates, in the both term, the above assessment of income distribution makes more sense. As these tables show, in the both term poverty rates increased.

According to Table 4 and 5, poverty, especially urban poverty, increased considerably between 1987 and 1994, and between 1994-2001. Especially after the 2001 crisis, urban food poverty rate increased seriously from 6,2% in 1994 to 17,2% in 2001. This situation is a result of 2001 crisis which crippled the urban sectors. At the same period relative poverty increased from 15,7% to 21,5% (Bilge, 2009).

When we look at the Turkey's place in the OECD countries between 1950-1998 terms, we can see that Turkey is among the countries having the highest gini coefficient.

Parallel to these figures, Turkey is defined as 'a middle income country with high level income inequality' by World Bank (World Bank, 2005).

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Table 4. **The Poverty Rates in Rural and Urban Areas in Turkey, 1987-1994**

	Turkey		Urban		Rural	
Poverty Threshold	1987	1994	1987	1994	1987	1994
Minimum Food Expenditure	11.5	11.5	6.9	8.7	21.2	20.2
Basic Needs Expenditure	27.0	29.5	14.3	20.0	41.5	42.5

Source: Dağdemir, O. (2002). Türkiye Ekonomisi'nde Yoksulluk Sorunu ve Yoksulluğun Analizi: 1987-1994. C.C Aktan (der.), Yoksullukla Mücadele Stratejileri içinde. Ankara: Hak-İş Yayınlar

Table 5. The Poverty Rates in Turkey, 1994-2001

	Turkey		Urban	
Poverty Threshold	1994	2001	1994	2001
1Dolar Per Capita Daily	2.5	1.8		
Minimum Food Expenditure	7.3	……	6.2	17.2
Basic Needs Expenditure	36.3	56.1		
Half of The Mean National Income	15.7	21.5		

Source: Dagdemir, O. (2002). Türkiye Ekonomisi'nde Yoksulluk Sorunu ve Yoksulluğun Analizi: 1987-1994. C.C Aktan (der.), Yoksullukla Mücadele Stratejileri içinde, Ankara: Hak-İş Yayınları

The Individual Income Distribution in Turkey in the Last 13 Years

When we look at the gini coefficient and Lorenz Curves for the last years, we observe that there is a decrease in gini values between 2002 and 2005. In 2006, gini value increased again. In 2007 there was a decrease of 0,2, and the share of the quantile from total income is 8,1 times more than the first quantile group. It was 9,5 for the previous year. After 2007, as TURKSAT states there are no significant change until 2011 either in gini coefficient or in the share of groups from total income. The Gini Coefficient is calculated as 0,40 for both 2012 and 2013.

According to the Table 7 the share of the fifth quantile group from the total income is 9,5 times more than the first quintile group in 2002. In the succeeding years this rate reduced to 8,1 in 2007. It is a pozitif development, but it is said that this figure reflects the period before the last crisis, and this reduction occured because of the fact that the share of the fifth quintile group is diminished in the last crisis (Bogazici University Social Policy Forum, 2010). Çalışkan also interprets the tendency of decrease in the gini coefficient and he says that the improvement in the inequality rates between the 2002-2005 is not due to the increase in the income of the poorest group but due to the decrease in that of the wealthiest group (Çalışkan 2010).

The income share received by the poorest 20% of population increased from 5,3% in 2002 to 6% in 2003. This rate didn't change between 2004-2005. The wealthiest group's share was 50% in 2002, and decreased regularly and reduced to 48,3% in 2003, to 46,2% in 2004 and 44,4% in 2005. This reduction in the share of the wealthiest group is the main reason for the improvement in the inequality rates. This reduction in the income share of the wealthiest group was received and shared by the middle income groups. This information shows that income inequality is declined between 2002 and 2005, and the ratio of wealthiest group to that of poorest group reduced to 7,3 from 9,5. This is a good development

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Table 6. Average Gini Values of Different Countries between 1950-1998

Less Than 0.3	Between 0.3 and 0.4	Between 0.4 and 0.45	Between 0.45 and 0.5
Slovakia	Croatia	Tunusia	Hong Kong
Belarus	Romania	China	Philippines
Canada	Azerbaijani	Britain	Argentina
Czech Republic	Macedonia	Kyrgyzstan	Costa Rica
Belgium	India	USA	Malaysia
Denmark	Ukranie	Pakistan	Dominican Republic
Sweden	South Korea	Singapore	Venezuela
Hungary	Taiwan	Senegal	Turkey
Norway	Holland	Bahamas	More Than 0.5
Slovenia	France	Armenia	Georgia
Austria	Germany	Thailand	El Salvador
Italy	Estonia	Australia	Honduras
Finland	Latvia		Chile
	Bangladesh		Colombia
	Bulgaria		Panama
	Poland		Mexico
	Japan		Brezil
	Kazakhstan		South Africa
	Portugal		Guatemala
	Lithuania		
	Moldovia		
	Jamaika		
	Indonesia		
	New Zeland		
	Rusia		
	Spain		

Source: Social Policy Forum of Bogazici Universy, 2010 cited from Mukhopadhaya, 2004

Table 7. Quantiles Ordered by Equalized Household Disposable Income, 2002-2011

Years	Quantiles						
	The Poorest 20%(a)	2.20%	3. 20%	4.20%	5. 20% (b)	Gini Coefficient	b/a
2002	5,3	9,8	14,0	20,08	50,1	0,44	9,5
2003	6,0	10,3	14,5	20,9	48,3	0,42	8,1
2004	6,0	10,7	15,2	21,9	46,2	0,40	7.7
2005	6,1	11,1	15,8	22,6	44,4	0,38	7,3
2006	5,1	9,9	14,8	21,9	48,4	0,43	9,5
2007	5,8	10,6	15,2	21,5	46,9	0,41	8,1
2008	5,8	10,4	15,2	21,9	46,7	0,41	8,1
2009	5,6	10,3	15,1	21,5	47,6	0,41	8,5
2010	5,8	10,6	15,3	21,9	46,4	0,40	8,0
2011	5,8	10,6	15,2	21,7	46,7	0,40	8,0

Source: Turkstat, http://www.tuik.gov.tr

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but it doesn't emanating from the increase of the income of the poorest group but from the increase in the share of the middle classses. So, it was difficult to say there is an absolute improvement (Çalışkan, 2010). Çalışkan says that the share of the poorest quintile remained stable in 2003-2005 periods, and this demonstrates that in Turkey governmets didn't attach enough importance to social policies which would reduce the income inequality. Because such policies aiming to lessen the income inequality primarily target the lowest income groups.

On the other hand, income and living conditions survey 2006-2013 by TURKSAT shows also the nominal income figures received by different quintile groups.

As we can understand from the Table 8, in 2012 and 2013 there is no serious improvement in the shares of different income groups. Actually the gini coefficient in these years is the same as the one in 2011: 0,40. But there is an important issue to think about. According to the Table 8, although the income

Table 8. Ditribution of Annual Equivalized Household Disposable Incomes by Quintiles Ordered by Equalized Household Disposable Income between 2006 and 2013

	Quintiles					
	Total	**First 20%**	**Second 20%**	**Third 20%**	**Fourth 20%**	**Last 20%**
2006						
Percentage	100.0	5.1	9.9	14.8	21.9	48.4
Average (₺)	6395	1615	3157	4727	6989	15 487
Median (₺)	4702	1666	3146	4702	6899	12 264
2007						
Percentage	100.0	5.8	10.6	15.2	21.5	46.9
Average (₺)	8050	2340	4251	6121	8675	188 70
Median (₺)	6082	2440	4242	6084	8604	14 544
2008						
Percentage	100.0	5.8	10.4	15.2	21.9	46.7
Average (₺)	8372	2427	4342	6347	9185	19 560
Median (₺)	6328	2523	4354	6329	9059	15 637
2009						
Percentage	100.0	5.6	10.3	15.1	21.5	47.6
Average (₺)	9396	2617	4832	7083	10 085	22 368
Median (₺)	7044	2730	4815	7044	9939	17 690
2010						
Percentage	100.0	5.8	10.6	15.3	21.9	46.4
Average	9735	2841	5151	7457	10 658	22 573
Median	7429	2924	5131	7429	10 511	17 927
2011						
Percentage	100.0	5.8	10.6	15.2	21.7	46.7
Average	10 774	3129	5698	8178	11 693	25 172
Median	8139	3247	5692	8139	11 553	20 039
2012						
Percentage	100.0	5.9	10.6	15.3	21.7	46.6
Average	11 859	3468	6301	9055	12 850	27 624
Median	9030	3619	6294	9030	12 772	
2013						
Percentage	100.0	6.1	10.7	15.2	21.4	46.6
Average	13 250	4016	7076	10 080	14 193	30 889
Median	10 024	4188	7080	10 024	14 000	24 726

Source: TurkStat, Income and Living Conditions Survey, 2006-2013

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shares remain almost stable, the nominal income figures increase considerably. For example the first income group received 4016 TL on average in 2013 while it receives only 1615 TL in 2006. This situation holds true for the other income groups. So, there is a concrete need to make a distinction between relative poverty rates which is also an indicator of income distribution and absolute poverty rates. OECD (2014), emphasizes that changes in relative poverty referring to the current median income can be difficult to interpret during recessions. In a situation where the incomes of all households fall, but they fall by less at the bottom than at the middle, relative poverty will decline. Therefore, more absolute poverty indices, linked to past living standarts, are needed to complete the picture provided by relative income poverty. This issue is also dealt with by Şeker and Jenkins (2013). They emphasize the importance of the measurement of poverty (absolute or relative) and also use poverty decomposition methods to examine the factors accounting for changes in absolute poverty rates (Şeker and Jenkins, 2013, p. 26). So, the absolute and relative poverty rates should be investigated together. Table 9 shows the absolute poverty rates for Turkey between 2002-2013, while Table 10 shows the relative poverty rates based on the 50% of the median income between 2006- 2013.

As shown by the Table 9 and 10 there is a serious decline in absolute poverty rates although no considerable decrease in relative poverty rates can be observed. Indeed it can be claimed that it is a suc-

Table 9. Absolute poverty rates in Turkey between 2002 and 2013

Year	Below $2,15 per capita per day	Below $4,3 per capita per day
2002	3,04	30,30
2003	2,39	23,75
2004	2,49	20,89
2005	1,55	16,36
2006	1,41	13,33
2007	0,52	8,41
2008	0,47	6,83
2009	0,22	4,35
2010	0,21	3,66
2011	0,14	2,79
2012	0,06	2,27
2013	0,06	2,06

Source: TurkStat, Poverty Study, 2013

Table 10. Relative poverty rates in Turkey between 2006-2013

Year	Relative poverty rate based on 50% of median income
2006	18,4
2007	15,4
2008	16,1
2009	16,9
2010	16,6
2011	16,0
2012	16,2
2013	14,9

Source: TurkStat, Income and Living Conditions Survey, 2006-2013.

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cess for Turkey to decrease the rate of population living below $4,3 per day from 30% in 2002 to 2,6% in 2013. Likewise there is almost no one living below $2,15 per day in 2013. So, how can we assess Turkey's performance about income distribution and poverty alleviation?

To answer this question we can capitalize on the Lorenz Curve by which the situation of the income distribution in a country can be best understood. The changes in the location of the Lorenz Curve in Turkey between the specific years are shown in the figures 2 and 3.

As can be seen from Figures 2 and 3 there is no serious change in the location of the Lorenz Curve in the term 2003-2011, indicating insistently high gini coefficient, namely high levels of income inequality.

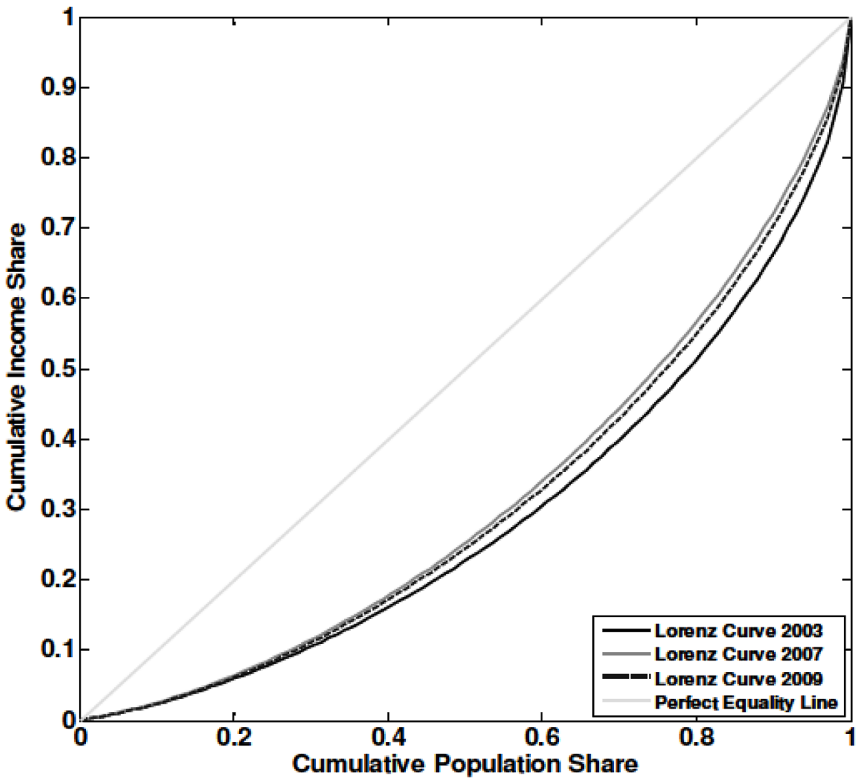
According to OECD (2011), Turkey is one of the few countries reducing the income inequality but still she has one of the worst income distribution rates in the OECD. Table 11 demonstrated this in a more detailed way.

So, it can be said that due to the high economic growth and sound economic polices, the absolute poverty rates have declined radically but relative poverty rates have remained almost stable. In the next section we will try to understand the main reasons of this situation.

The Reasons of the Persistence of High Gini Coefficients inTurkey

To be able to understand the reasons of the persistently high income inequality in Turkey, we should first look at the poverty alleviation policies and programs. Because, as it is well known, these policies have the effect of decreasing the income inequalities, too.

Figure 2: The Comparison of Lorenz Curves, 2003, 2007 and 2009
Source: Selim, R.; Yıldız, F. (2011). An Analysis of Inequality Changes in Turkey. Paper presented at EconAnadolu 2011: Anadolu International Conference in Economics II.



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Figure 3: The Comparison of Lorenz Curves, 2010-2011
Source: Turkstat, http://www.tuik.gov.tr

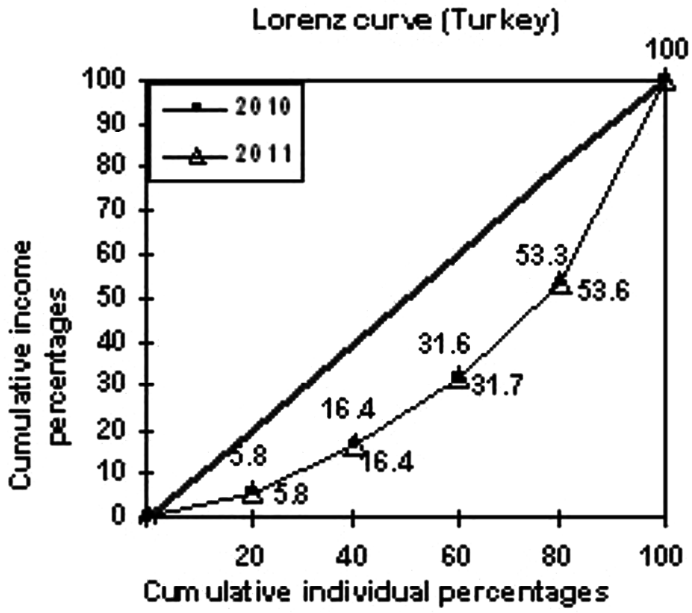


Table 11. The Gini coefficient figures in mid-2000s for the OECD Countries

	Gini Coefficient		Gini Coefficient
Denmark	0.23	Germany	0.3
Sweden	0.23	South Korea	0.31
Luxembourg	0.26	Canada	0.32
Austria	0.27	Greece	0.32
Belgium	0.27	Japan	0.32
Czech Republic	0.27	Spain	0.32
Finland	0.27	Ireland	0.33
Holland	0.27	New Zeland	0.34
Slovakia	0.27	Britain	0.34
France	0.28	Italy	0.35
Iceland	0.28	Poland	0.37
Norway	0.28	USA	0.38
Switzerland	0.28	Portugal	0.42
Hungary	0.29	Turkey	0.43
Australia	0.3	Mexico	0.47

Source: (Social Policy Forum of Bogazici Universy, 2010 cited from) OECD, 2008, Growing Unequal? Income Distribution and Poverty in OECD Countries, p. 51.

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There are two different poverty alleviation methods named direct and indirect approach which vary in terms of their implementation and results. Indirect approach emphasizes the improvement of the life conditions of the poor by economic growth. As known, strong correlation between poverty and per capita GDP makes the economic growth the solution of the poverty problem. It can be said that rapid economic growth not only increases the household incomes but also affects the human development indicators by leading to improvement of the basic public services such as education, health, infrastructure etc. (Gündoğan, 2008). The fair distribution of the growth besides the speed of it has an important affect on poverty alleviation. Therefore it can be expected that when the distribution of assets before the economic growth is unequal, these inequalities remain or even increase its negative affcets on poverty (Gündoğan, 2008). Indeed, poverty elimination debates in Turkey focus on economic growth during the crisis periods in spide of the fact that economic growth causes income inequalities at the same time (Arpacıoğlu and Yıldırım, 2011).

In the direct poverty alleviation approach, the programs conducive to solve the problem directly are put into practice. In this approach, state intervenes to the redistribution of income with basic means such as taxes, social security, social assistance, and health and education policies. Along with these political means special poverty alleviation programs are among the fundemantal enstruments of this approach (Arpacıoğlu and Yıldırım, 2011).

The most important ways of intervention to incomme distribution determined by markets are tax policies and social expenditures by state (transfer payments). Governments can levy no or less taxes on low income groups and can increase their disposable income, on the other hand they can lay more tax on the upper income groups to redistribute the national income. Another way of redistribution is to increase the disposable incomes of low income groups by transfering them public sources (Çelik, 2004).

Turkey has managed high economic growth and has tripled the per capita GDP in the last 13 years. So it can be stated that there are serious improvements in terms of direct methods for the poverty alleviation which reflect on the absolute poverty rates. But as Çelik (2004) argues, direct method of redistribution is not employed efficiently in Turkey. So, in Turkey an improvement on the market inequality can not be realized. Şeker (2008) states that the insufficiency of the allocations to the social payments in the budget and the high level of indirect taxes make it impossible to decrease the income inequalities. Furhermore, although there has been an increase in the social transfers, education and health expenditure since 1994 this limited increase can not affect the income inequality by the same rate. When we consider the reasons of this problem it can be seen that the population these transfers can reach is limited. Moreover, social transfer mecahnisms adressing to different needs are insufficient. Although the population reached by these programs increased between 2002-2005, about 30% of the poorest group of the population have no access to any social transfer mechanisms and these amounts to about one million people. Another challenge is that the amount of social transfer can not carry the individul's or household's income above the poverty treshold (Şeker, 2008). In the European Union Progress Report it is stated that a comprehensive reform on the social aid programs could not be realized (Commision of the Eurepean Communities, 2009). OECD points out the inefficient quality of the social transfers regarding redistribution in Turkey (OECD, 2008). According to the OECD report of Society at a Glance 2014, public social spending of 12.8% of GDP in Turkey is substantially lower than OECD average of 21.8%. Most of the social spending is related to health, old age and survivors' benefits, while the support for the working age population is very low (OECD, 2014).

In Figure 4 and 5 we can see the increase in the public expenditures of social security, education and health.

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Figure 4. Social expenditures in public sector (million TL)
Source: DPT, http://ekutup.dpt.gov.tr/ekonomi/rip/tr/kamu_kesimi_sosyal_harcama_istatistikleri.pdf

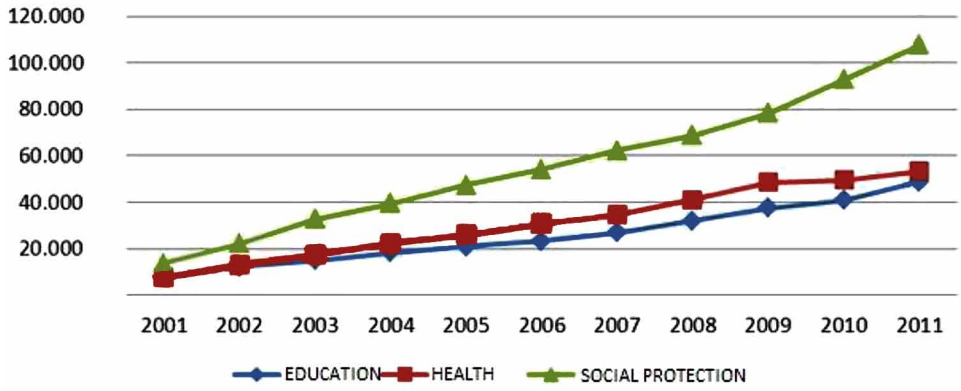
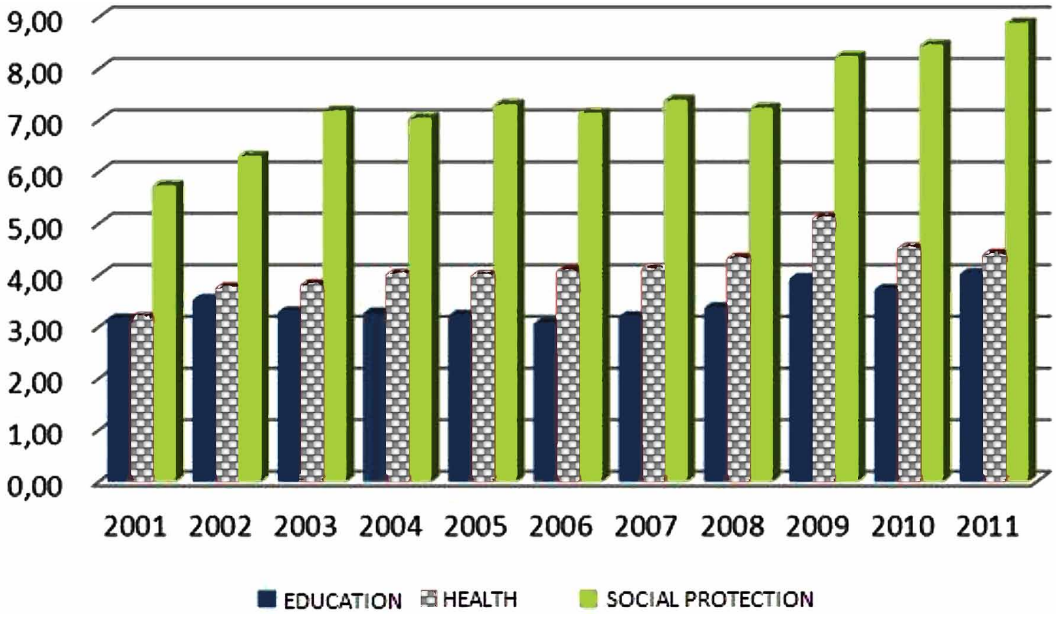


Figure 4 points out that there is an increase in the expenditure of social security, education and health. But these figures are nominal figures. So, to be able to make a healtier assessment, these values should be turned into real values. Figure 5 helps us for this evaluation.

Figure 5 shows that although there is a considerable increase in social security expenditure, there is not such high level advance in education and health. Moreover, as shown in Table 12, when we take into consideration the public social expenditures of the other countries it will be evident that even though Turkey increased its social expenditures in the budget, as mentioned above, it is not sufficient when compared to the both OECD and EU countries.

Figure 5. The ratio of social expenditure in public sector to GNP
Source: *DPT,http://ekutup.dpt.gov.tr/ekonomi/rip/tr/kamu_kesimi_sosyal_harcama_istatistikleri.pdf*



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It is clear from the Table 12 that there is a long way to go for Turkey to reach the same level of public social expenditure as the other countries.

Another significant factor for redistribution of income is tax rates. The composition of tax revenue is another obstacle for the advance in the income inequality in Turkey. Both direct/indirect tax rates and the composition of income taxes make it impossible to improve the income inequality through taxes, and it deteriorates the inequality further (DPT, 2001). The share of the indirect taxes in the total tax

Table 12. Social expenditure in different countries between 1980-2011 (% of the budget)

Years	OECD-34	EU- 21	Turkey
1980	15,6	18,6	3,2
1981	16,2	19,5	3,3
1982	16,7	19,9	3,6
1983	17	20,3	3,9
1984	16,7	19,9	3,4
1985	17,3	20,7	3,1
1986	17,3	20,7	3,3
1987	17.4	20,8	3,4
1988	17,4	20,5	4
1989	17,3	20,2	4,7
1990	17,6	20,5	5,7
1991	18,5	21,4	6,1
1992	19,4	22,5	6,3
1993	19,9	23,3	6,2
1994	19,7	23	5,9
1995	19,4	22,7	5,6
1996	19,5	22,8	7,2
1997	19,2	22,2	8
1998	19,2	22	8,3
1999	19,2	22	9,8
2000	18,9	21,6	9,8
2001	19,2	21,9	9,8
2002	19,7	22,4	9,8
2003	20,1	22,9	9,8
2004	19,9	22,8	9,9
2005	19,8	22,7	9,9
2006	19,5	22,4	10
2007	19,2	22	10,5
2008	20,2	22,8	10,8
2009	22,5	25,3	13,2
2010	22,2	25,2	12,9
2011	22,1	24,6	12,9

Source: OECD

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revenues has increased rapidly (Çelik, 2004). In 2005 it is stated that, the indirect taxes amounted to 70% of total tax revenue.

When we analyse the burden of the excise tax on the different income groups in the society, it comes out that the poorest 20% of the population gives about 23% of their income as consumption tax, while the richest 20% gives only 16%. Consequently tax system in Turkey has no positive effect on the income inequality (Gökşen, Sağlam, Zenginobuz, 2008). This issue is underlined in TUSIAD report and it is stated that there are no efficient tax and social transfer policies which will lessen the inequalities created by the markets in Turkey (Gürsel, Levent, Selim, Sarıca, 2000). In this sense it is evident that one of the most important measures to be taken to decrease the income inequality is to attain fairness and justice through reconstruction of tax system (Bogazici University Social Policy Forum, 2010).

Şeker and Jenkins (2013), examine the poverty rates in Turkey between 2003 and 2011. They conclude that absolute poverty rates declined substantially between 2003 and 2011, while relative poverty changed little. However there were two distinct sub-periods: between 2003 and 2008 when absolute poverty declined rapidly, and between 2008 and 2011, when the decline was small. Their decomposition analyses show that the declines in poverty in both periods are primarily due to the growth rather than redistribution (Şeker and Jenkins, 2013: 26). They argue that Turkey has managed to grow considerably but has not been able to create a substantial decline in relative poverty rates and income inequality. Turkey seems to adopt indirect approach for poverty alleviation, and this caused the absolute poverty rate to decline but relative poverty rate to remain stable. Şeker and Jenkins (2013) also examine the Turkish welfare regime and conclude that in the last years, Turkish welfare regime has been going through a siginificant transformation over the last couple of decades. Especially EU membership negotiations, however turbulent and problematic, have a discernable effect on the welfare regime of Turkey (Aybars and Tsarouhas, 2010). As a matter of fact Turkey has achieved some improvements in the social policy arena, however inadequate. For example since 2002 the share of social assistance in GDP has rised threefold and some programs have been implemented successfully like Conditional Cash Transfer aiming the increase the rate of poor children benefiting from education and health services. With the political stability and budget disipline and economic growth, Turkey also has managed to improve basic social services and increase the share they receive from the budget. Maybe the effect of developing social policies in Turkey can be also understood from the rate of resilient students. According to PISA (The Program of International Student Assessment) 2012 results there is a considerable increase in the rate of resilient students, namely who manage to be successful in spide of their socioeconomic disadvantage. This rate was about 3% in 2003 and exceeded 7% in 2012 (MEB, 2012). It is out of scope of this study to assess the transformation and the effects of the social policy regime in Turkey, but it is obvious that there is a need for much deeper research about the social policy implementations in Turkey.

CONCLUSION AND SUGGESTIONS

Income inequality and poverty are among the most pressing problems in Turkey as well as in the world. It is desirable for all countries to have a fair distribution income. After 1980s, with the introduction of the neo-liberal policies all over the world, it has been thought that income equality could be attained automatically with rapid growth without any public intervention. But, soon, in the developed countries it was understood that the inequalities emaneting from market mechanisms cannot be overcome without

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public intervention. So, in the developed countries, redistribution mechanisms have been developed and implemented efficiently, especially in the North Eurepean countries.

In Turkey, hovewer, we could not see any such stable social policy aimed to diminish the income inequality, at least until the recent years. The serious changes witnessed in recent years in social policy arena, on the other hand, are not enough to improve the relative poverty rates and income inequality considerably. Governments thought that income inequality would be solved with economic growth. Although there is a serious decline in absolute poverty rates due to the economic growth and some social policy arrangements, when we look at the gini coefficient rates and the Lorenz Curve location, we can see no persistent and substantial improvements. In some certain time periods there is a tendency towards more fair income distribution, but this tendency is not result of a delibarate social policy.

The fact that there is not a considerable reduction in relative poverty rates and in income inequality in spide of high growth rates after 2001, reveals that these problems cannot be solved though the market mechanisims and rapid growth automatically. At the root of the problem, there is the absence of effective policies conducive to redistribute the income efficiently. The current structure of the tax system is increasing income inequality. The arrangements in the tax system allowing redistribution of income, and arrengements raising the effectiveness and amount of social aids and services will prevent the problem to be more complex in the globalization process. To be able to establish a real social state like Western Europe countries there is a need for mentality transformation effecting social and economic policies, leading to redistribution of income more fairly.

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KEY TERMS AND DEFINITIONS

Gini Coefficient: Gini coefficient, the most general method for measuring the income distribution, was developed by Italian statistician Corrado Gini. Gini coefficient summarizes the income distribution measured according to Lorenz Curve with a figure. The coefficient is the division of area between the Lorenz Curve and the line of perfect equality (A) by the area which lies beneath the line of equality (A+B). G= A÷A+B.

Income Inequality: One of the most important measures to be taken to decrease the income inequality is to attain fairness and justice through reconstruction of tax system.

Poverty: Income inequality and poverty are among the most pressing problems in Turkey as well as in the world. It is desirable for all countries to have a fair distribution income. After 1980s, with the introduction of the neo-liberal policies all over the world, it has been thought that income equality could be attained automatically with rapid growth without any public intervention. But, soon, in the developed countries it was understood that the inequalities emanating from market mechanisms cannot be overcome without public intervention. So, in the developed countries, redistribution mechanisms have been developed and implemented efficiently, especially in the North European countries.

Social Policy: In Turkey, however, we could not see any such stable social policy aimed to diminish the income inequality, at least until the recent years. The serious changes witnessed in recent years in social policy arena, on the other hand, are not enough to improve the relative poverty rates and income inequality considerably.

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Chapter 30
The Effect of Microfinance on Poverty Reduction in Developing Economies

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ABSTRACT

The study explores the contributions of microfinance to poverty reduction. The study used a descriptive design to establish the relationship between sales performance and access to credit in the SME sector in Ghana. Cross sectional survey was used to gather relevant data. The target population was the micro businesses in Madina in Ghana with a sample size of 200. The study reveals that microfinance has a positive impact on micro businesses. There exist a significant relationship between microfinance and sales. It was also found out that, the dependency burdens on micro entrepreneurs coupled with the low credit access from the microfinance institution for productive activities lead them to deploy the credit to meet the demand of both the business and household.

1. INTRODUCTION

It is often argued that the financial sector in low-income countries has failed to serve the poor. With respect to the formal sector, banks and other financial institutions generally require significant collateral, have a preference for high income and high loan clients, and have lengthy and bureaucratic application procedures. With respect to the informal sector, money-lenders usually charge excessively high interest rates, tend to undervalue collateral, and often allow racist and/or sexist attitudes to guide lending decisions. The failure of the formal and informal financial sectors to provide affordable credit to the poor is often viewed as one of the main factors that reinforces the vicious circle of economic, social and demographic structures that ultimately cause poverty. It is imperative to understand the ways in which finance contributes to economic growth and poverty reduction. This provision of funds in form of credit and microloans empowers the poor to engage in productive economic activities which can help boost their income level and thus alleviate poverty in the economy. Microfinance institutions (MFIs) are im-

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portant, particularly in developing countries, because they expand the frontier of financial intermediation by providing loans to those traditionally excluded from the formal financial markets (Caudill, Gropper, & Hartarska, 2012). Microfinance is an effort to improve the access to loans and to savings services for poor people. It is currently being promoted as a key development strategy for promoting poverty reduction and economic empowerment. It has the potential to effectively address material poverty, the physical deprivation of goods and services and the income to attain them by granting financial services to households who are not served by the formal banking sector.

Microfinance is an effective development tool for promoting entrepreneurship and poverty reduction. Financial services enable poor and low income households to take advantage of economic opportunities, build assets, and reduce their vulnerability to external shocks that adversely affect their living standards. Yet, much remains unclear about whether, and how, microcredit can help the poor to improve their lives. Answering these questions is particularly important now that the microcredit industry is changing in various ways. Microcredit encompasses many different models and modalities and the evidence on the relative effectiveness and on the role played by different components is limited. One important recent trend has seen increased scale and professionalization leading a number of established MFIs to move from group or joint-liability lending, as pioneered by the Bangladeshi Grameen bank in the 1970s, to individual micro lending. This chapter provides evidence from a randomized sampling of 300 from both beneficiaries and Masloc. The aim of this chapter is to assess the impact of microcredit on the performance of small scale enterprises in Ghana. The paper contributes to the literature on microfinance by answering two questions: what is the impact of microcredit on the performance of micro enterprises in Ghana. How do the micro enterprises deploy the credit? The remainder of this chapter is organised as follows: section 2 discusses the related background on microfinance. It specifically looks at the poverty situation and the use of microfinance to alleviate poverty and its relative success. Section 3 focuses on the field study, section 4 presents the results and discussion and conclusion follows in section 5.

2. BACKGROUND OF THE STUDY

The Concept of Poverty

The definition of poverty, how it is measured and who constitute the poor are fiercely contested issues. In the poverty debate, stands the question of whether poverty is largely about material needs or a much broader set of needs that permit well-being.

Majority of the poor people from underdeveloped countries have failed to achieve the financial services that are being offered by the Microfinance Institutions (MFIs) due to the limited outreach and insufficient capital or financial resources. So, these poor people also failed to get access to health and medication and better education for their children that are the major cause of poverty. So, poor people remain poor due to the unavailability of credit or financial services. A country where poor people lying below the poverty line failed to get access to the basic needs that country is called underdeveloped country, developing economy or third world country. Microfinance becomes a sole solution to reduce or breakdown the wall of poverty. It is a blessing for poor people who do not have income generating activities and have no access to the formal credit system due to the unavailability of collateral (Muhammad, 2010).

Besides these some social resources including availability of accurate and timely information, lack of education, lack of technology and resources, health and medication facilities, social status and recogni-

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tion and political power are the factors that are also connected with poverty up to some extent. Poverty exist when people failed to get the maximum status and social recognition due to unavailability of assets that become a cause of income generating activities. According to Rahman and Ahmad (2010) poverty has many dimensions that are occurring due to the difference between consumption and income level. Besides these illness and natural disasters like floods, heavy rains and epidemic diseases etc. According to Akram and Hussain (2011) microfinance is a key factor to improve the living standard of poor people of underdeveloped countries. An agricultural cycle is yet another cause of poverty. People that rely on fruits and vegetables they produce for household food consumption often are faced with cycles of relative abundance of scarcity. The period before harvest is always a hungry period for families that rely on subsistence production for survival. During the scarcity periods, these families lack sufficient resources to meet their minimal nutritional needs. Apart from destruction caused by natural events such as hurricanes, environmental forces always cause acute periods of crisis by destroying many crops and animals as well.

It is not enough to define poverty in terms of basic needs only because this is likely to omit other important components therefore focusing at poverty as a single sided problem. It is necessary for microfinance institutions (MFIs) to embrace broad aspects of economic development. The poor are poor because they are poor. Their poverty conditions interlock like a web to trap people in their deprivation. Poverty is a strong determinant of the others. The causes of poverty are many and must be attacked from all fronts to save the poor from the poverty trap. It contributes to physical weakness through lack of food, small bodies, malnutrition leading to low immune response to infections and inability to reach or pay for health services. It also limits or prevents access to resources from the state, legal redress for abuses and ability to dispute wage or interest rates, and only feeble influence on government to provide services for the poorer people and places. They are powerless to demand what is meant for them and cannot attract government aid, schools, good staff or other resources.

Some people take poverty to involve a subjective and comparative terms while others take it to be moral and evaluative. Defining poverty involves the question of whether it is mainly about material needs involving measuring consumption by using income as the main determinant factor, or a much broader set of needs that includes factors of wellbeing. They also have yet another definition as having a multi-dimensional nature consisting of vulnerability, powerlessness and social exclusion in addition to material deprivation. Poverty in many developing countries is largely a matter of not having enough on their tables to eat. Providing the poor with financial services is one way to increase their income and productivity, e.g. through self-employment and thus escape poverty. The section below discusses the use of microfinance to alleviate poverty and its relative success.

Microfinance and Poverty Reduction

The concept of poverty reduction has attracted the attention of some scholars. Empirical studies have identified some variables like inflation, age, household size, health problem, lack of savings and inadequate assets as the major causes of poverty (Taylor & Xiaoyun, 2012; Yusuf, Shirazi, & MatGhani, 2013). Microfinance is an important source of financing for poor, lower income people in developing countries (Nawaz, 2010). It provides these people with the chance to escape poverty and to transform their lives. It is also evident that there is a strong demand for small scale commercial financial services (both credit and savings) for poor and low income people. Access to financial services and the efficient provision of microfinance can help low income people gradually build assets, enlarge and diversify their

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microenterprises, create jobs, enhance their income earning capacity, increase their income, and smooth consumption (Hossain, 2012). However, the impact of microfinance on poverty is mixed. The positive impact of a microfinance program on income is confirmed by studies such as Silva (2012), Imai and Azam (2012) and Swope (2010). But, some researchers also demonstrate that microfinance programs have a significant and positive impact on household expenditure (Boonperm, Haughton & Khandker, 2013; Berhane & Gardebroek, 2011; Hossain, 2012).

Nawaz (2010) conducted a research to examine the impact of microfinance program on poverty in Bangladesh and confirmed that microfinance programs have positive impact on poverty in terms of income. The study found that microfinance program increases the incomes of members. Imai and Azam (2012) used the propensity score matching method to estimate the impact by using panel data from 1997 to 2004. The results showed that the loans provided by the microfinance program had a significantly positive impact on income and poverty reduction. Swope (2007) demonstrates that microfinance can lead to an increase in income, better nutrition for families, greater high school attendance, the empowerment of women, and the reduction of poverty. Imai, Arun and Annim (2010) also found that microfinance programs significantly and positively affect multidimensional welfare indicators. Hossain (2012) attempts to measure the impact of BRAC microfinance operations on the livelihood of the borrowers of a sample village in Bangladesh by using a difference-in-difference method. The study finds that the household expenditure of borrowers increased significantly after joining the program.

Waheed (2009) evaluates the income improvement of rural borrowers in the Punjab Rural Support Programme (PRSP). The results show that microfinance significantly increases the incomes of the participants. Morris and Silva (2012) assesses the impact of microfinance on household income and saving in Sri Lanka by applying the propensity score matching method. The results show a large positive impact on both income and savings from those participating in microfinance programs. Boonperm et al. (2013) use panel data from the Thailand Socioeconomic Surveys of 2002 and 2004 to evaluate the impact of a VDF on income and expenditure by using the propensity score matching model. Their results showed that the VDF has a significantly positive impact on expenditure, but an insignificant impact on income.). Study by Ghaliba, Malki, and Imai (2014), emphases that Pakistani microfinance has positive impact on poverty alleviation which was manifested in household income and expenditure especially in clothing and health. Microfinance has positive impact on the borrowers' income especially in urban areas in India (Imai, Arun, & Annim, 2010).

To examine the impact of microfinance on the two key poverty indicators of household consumption and housing improvements in northern Ethiopia, Berhane and Gardebroek (2011) use fixed-effects and a random trend model. Their results showed that borrowing indeed causally increased consumption and housing improvements.

In a recent study in India, Banerjee, Duflo, Glennerster and Kinnan (2015) used an RCT approach to evaluate a group-lending microcredit program by a lender to 52 randomly selected neighborhoods. The programme led to an 8.4 percentage points increase in take-up of microcredit. They observed that investments and profits in pre-existing businesses went up and consumption of durable goods also increased. Additionally, expenditures on temptation goods such as alcohol decreased. However, they found no discernible impact on measures of health, education and female empowerment. Similarly, Karlan and Zinman (2010) estimated the effects of expanding access to consumer credit in South Africa by randomizing loan approvals to clients identified by the co-operating lender as being marginally creditworthy. In doing so, access to credit increased borrower wellbeing: incomes increased, food consumption went up and measures of decision making within the household went up, as did community status and overall

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optimism. In a similar study in the Philippines in 2011 by the same authors, they observed that borrowing increased in the treatment group relative to the comparison group. Furthermore, microloans increased the ability to cope with risk, strengthened community ties and increased access to informal credit. However, the number of business activities and employees in the treatment group decreased relative to that of the comparison group, and subjective well-being also declined slightly.

A similar study of six microfinance programmes in Africa also found substantial qualitative evidence that targeted microcredit for the poor and for poor women in particular enhanced human capital through increased expenditure on consumption, education and related improvements in health. In all the cases studied, microcredit was found to have a positive impact on measures of welfare, with female beneficiaries tending to attach a higher value to the concept of well-being (Arora & Singhal, 2013). Subsequently, the beneficiaries will be able to combat the poverty and satisfy their households' needs independently and consistently. In contrast, microfinance institutions will have the ability to develop their capacity through imposing a small ratio of interest on the given loans.

However, recently the impact of microfinance has been questioned and many studies argue that the impact of microfinance is divergent between positive, no impact and even negative impact (Angelucci, Karlan, and Zinman 2013; Ganlea, Afriyie, and Segbefia 2015; Rooyen, Stewart, and de Wet 2012). The Malaysian microfinance plays an important role in socioeconomic development of poor and low income people especially women (Al-mamun, Mohammad, Mazumder and Malarvizhi, 2014; Al-Shami et al. 2013). Another study by Crépon, Devoto, Duflo and Pariente (2011) evaluated the impact of access to credit in rural areas of Morocco by randomizing the placement of new Al-Amana MFI branches; the authors found no significant impact on measures of health, education and female empowerment. Furthermore, it was observed that microcredit had no impact on non-agricultural businesses. However, for individuals with existing farming activities, access to credit increased the volume of activity. Similarly, individuals with an existing business at the start of the study reduced their consumption and considerably increased their savings. For those without prior business activities, their consumption increased.

Microfinance has been widely recognized as a crucial tool for poverty alleviation and socioeconomic wellbeing. It is shown to have a positive effect on poverty reduction at macro level (Imai et al. 2012), It plays an important role in poverty reduction and socioeconomic development in Sub-Sahara Africa countries (Rooyen, Stewart and de Wet, 2012). The Malaysian microfinance has positive effect of on economic vulnerability among hard-core poor households (Al-mamun et al., 2014).

According to the CBN Report in 2005, the development of credit facilities to serve the poor has been a very beneficial method of eliminating or eradicating poverty (Nsa, 2011). Consequently, the micro finance banks have been acknowledged as a poverty reduction tool which if well managed will reduce the level of poverty significantly.

It is convincingly clear that microfinance has made a significant and positive contribution to poverty reduction in developing countries. It is widely known as a provision of financial services such as credit, saving, deposit, insurance and repayment services to those who are deprived of accessing into conventional financial services because they are poor and they cannot offer collateral. The underlying logic in this success is that through extending financial services, low income people will have the ability to participate in the economic market and exploit entrepreneurial opportunities through start-up new businesses extending current business or introducing new activities.

Annim and Alnaa (2013) used treatment effect approach to estimate the impact of microfinance on poverty reduction in the Upper East Region of Ghana. The results supported the hypothesis that micro-

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finance has 0.12% poverty reducing effect. Premised on this, it was concluded that even in very poor areas microfinance was capable of reducing poverty.

Hermes and Lensik (2011) investigated the impact of microfinance on poverty and concluded that household's access to microfinance may contribute to a long-lasting increase in income. This according to the authors can be achieved by means of increase households investments in income generating activities and possible diversification of resources, accumulation of resources which will smoothen household consumption, reduce the vulnerability of households due to illness, drought and crop failures, improve better education, health and housing. In addition, it would contribute to an improvement of the social and economic situation of women and have positive spill-over impact. All these research findings in developing economies indicate that microfinance has successfully contributed to poverty reduction

3. FIELD STUDY

Overview of Microfinance in Ghana

Prior to formal banking systems in Ghana, many of the poor, mainly women, and those in rural communities relied heavily on informal banking services and the semi-formal savings and loans schemes (Egyir, 2010). Cooperatives, especially among cocoa farmers of the 1920s, engaged in thrift and credit. The mission of the informal microcredit organizations or microfinance services in Ghana was to provide social and economic support for the less advantaged, especially rural women and their families (Egyir, 2010).

For some, known as Susu, there were weekly meetings, each woman donates a set sum of money to a common pot that is given to one woman each week. When there is an emergency, a participant can withdraw out of turn; otherwise the pot is rotated uniformly until all members are served.

Credit unions were introduced in 1955 when the then Father Peter Poreku Dery, a Catholic priest founded a cooperative credit union in Jirapa in the, now Upper West Region, of Ghana. It followed the German concept developed in 1846. The objective of the credit union was to encourage thrift and savings among member farmers, traders, processors and non-agricultural workers for productive ventures to improve the socio-economic lives of the people. Today, there are 28 African countries where the credit union idea operates. A credit union enables the poorest in a community to save and access loans for income generating activities (Egyir, 2010).

Cooperative Credit Unions were expected to take over some of the lending being made by moneylenders. A number of government financed loans schemes were instituted in the late 1950s with the same aim as well as the general aim of making more finance available for local development. Then in the 1960s special banks, National Investment Bank and Agricultural Development Bank, were established. Commercial banks, notably the Ghana Commercial Bank, also operated rural credit schemes. But rather than giving credit to rural producers, these banks were draining the rural areas of savings, which were invested in the commercial and housing sectors in the urban areas (Asiama & Osei, 2007; Egyir, 2010).

The need for rural banks arose by the turn of the 1970s. It had become clear that existing formal financial institutions, formed with the goal of replacing the perceived harmful informal operators, especially moneylenders, were not meeting the financial needs of the rural poor. The intermediating credit to the rural sector of the economy upon which Ghana's agricultural economy depends; currently contributing 38% of GDP had also been failing to achieve their objectives. Therefore, the first rural bank in Ghana was founded in July 1976 at Agona Nyaakro in the Central region of Ghana. A rural bank is a community

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owned and managed bank that is mandated to operate within a catchment area of 25 kilometres from its headquarters (Asiama & Osei, 2007). Rural banks have the following objectives:

1. Mobilizing rural savings;
2. Offering credit and other banking services to rural producers;
3. Being an instrument of rural (local) development; and
4. Contributing towards national development.

As more rural and community banks (RCBs) came into operation, the Association of Rural Banks (ARB) was formed to represent and seek their interest. The RCBs were regulated and supervised by the central bank, Bank of Ghana (BoG), from which they also received technical support through the ARB, until an Apex Bank was established in 2nd July, 2002 to play the role that the BoG had been playing. Up to 2002, the reserve requirement of RCBs was set as high as 62%, to enable them benefit from the high yields on sovereign securities and improve their financial standing. This has subsequently been brought down to the current level of 8% in the form of primary reserves plus 5% deposit with ARB Apex and a 30% secondary reserve (Egyiri, 2010).

Thus, rural banks currently need to have 43% of their assets in the form of liquid assets. With the downturn of the Ghanaian economy in the late 1970s and early 1980s, the government in 1983 started implementing a Structural Adjustment Facility from the International Monetary Fund (IMF) to reform key sectors of the economy. By 1986 it was widely accepted that reforms were needed to encourage the development of the financial sector in order to deepen financial intermediation and create new investment instruments, as well as encourage the establishment of new financial institutions that would all go to make the economy much more competitive in the world economy (Asiama & Osei, 2007). The liberalization of the system therefore could not have come at a more opportune time. As part of the reform program to strengthen banks, their non-performing assets were taken off their books and turned over to a new body, the Non-Performing Assets Trust (NPART), to pursue and restructure. A number of new banks were established from the mid-1990s, formal and semiformal microcredit institutions including Womens World Banking and Citi Savings and Loans (Asiama & Osei 2007; Egyir, 2010). All these research findings clearly show that microfinance has indeed contributed positively to poverty reduction in developing economies

Research Design

Different methods were applied in different researches to measure the impact of microfinance operations. Crepon, Devoto, Duflo, and Pariente, (2014) used a method known as 'before and after' scenarios analysis of the borrowers. Others used another method to measure the impact by using member perception (Develtere & Huybrechts, 2002; Akram & Hussain, 2011). Some authors have used income and consumption as dependent variable for the measurement of the impact of microfinance operations (Samer, Majid, Rizal, Muhamad, Halim, & Rashid, 2015). In this study, the earlier method, 'before and after', mentioned above, has been used to assess the impact of microfinance operations of Masloc on the livelihood of the beneficiaries.

This study made use of descriptive design where both qualitative quantitative data was collected using questionnaire and interview. The target population were owners of micro businesses in Madina. The research study covers twenty officials of the Masloc programme and one hundred and thirty beneficiaries

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of Masloc. However, the basic sampling unit were traders who ply their trade in Madina a suburb of Accra in the greater Accra Region. This sample unit was selected because there are several micro businesses sighted in Madina with many microfinance institutions which seem to be extending micro credit to these businesses. Data was analysed to find the type of economic activity of beneficiaries, how the amount was disbursed and the effect of credit access on sales. The amount of sales was used as a proxy for poverty reduction.

4. RESULTS AND DISCUSSION

The Table 1 shows the link between Credit and Sales performance among the various beneficiaries and non-beneficiaries of MASLOC loans.

Among the beneficiaries and non-beneficiaries of MASLOC's facilities respectively, there is no difference between the ages of entrepreneurs who operate businesses. This is shown in the various standard deviation of 37.33 non MASLOC beneficiaries and 38.404 for MASLOC beneficiaries; with the paired test, the p-value is more than the t-values (calculated). This however underscores the submission that age, is not a serious factor that is considered in considering who qualifies for a credit facility or not.

On the issue of female entrepreneurs, the data showed no difference in both the beneficiaries and non-beneficiaries of MASLOC. Again, it clearly supports the earlier assertion that women tend to benefit from credit access more than men in an attempt to reduce poverty.

More than 80% of all beneficiaries of MASLOC credit are female entrepreneurs suggesting a gender sensitive initiative. This is consistent with empirical literature which suggests that most credit schemes in informal sectors are meant to empower women and since women are usually the conduit to poverty reduction, they are the major beneficiaries (Nawaz, 2010). The result shows a statistically significant difference in gender composition of beneficiaries and non-beneficiaries. The difference is statistically significant at 1%. There is no statistically significant difference between the number of employees engaged by both beneficiary and non-beneficiary entrepreneurs. This is because; the p-value (0.772) is greater than the calculated value (0.2911). This is however an indication that in accessing credit from MASLOC, the number of employees hired by the entrepreneur will thus not guarantee an access or otherwise of

Table 1. Descriptive statistics of relevant variables

Characteristics	Non-MASLOC Beneficiaries			MASLOC Beneficiaries			Paired Test	
	N	Mean	Sd	N	Mean	Sd	t Statistics	p-Value
Age of Entrepreneur	129	37.333	8.942	128	38.406	7.19	-1.0595	0.2904
Female Entrepreneur	129	0.705	0.458	128	0.867	0.341	-3.2122	0.0015
Number of Employees	90	2.333	1.017	82	2.268	1.833	0.2911	0.7713
Start-up Capital	129	729.767	373.239	128	631.406	383.109	2.0847	0.0381
Weekly Income	129	167.194	145.634	128	149.18	130.581	1.0437	0.2976
Weekly Sales (volume)	37	10.243	17.53	23	250.044	1036.94	-1.4138	0.1628
Weekly Sales (value)	129	385.543	245.233	129	374.031	409.998	0.2737	0.7846
Amount Borrowed				129	647.287	2605.88		

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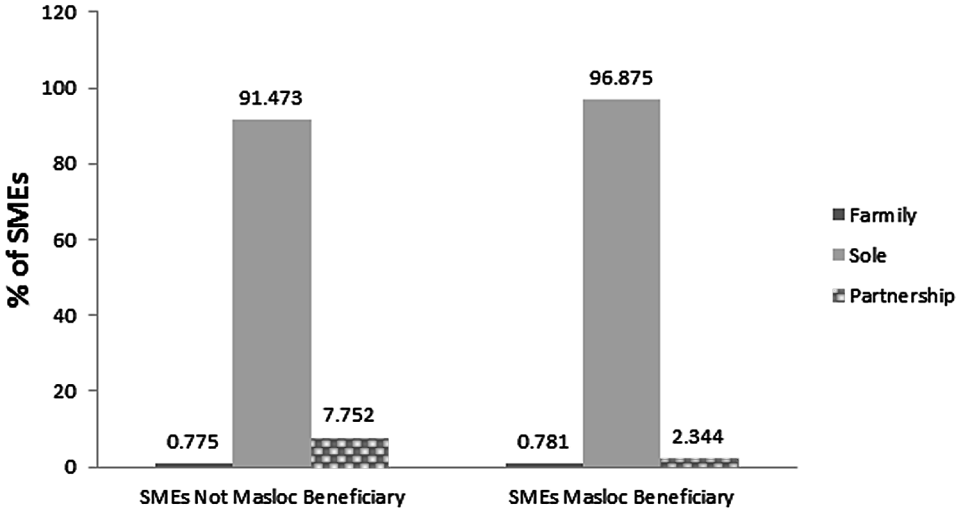
credit. It is important to note that granting of credit access is influenced by the nature of business and the level of cash flow that the business generates, as well as the credit worthiness of the entrepreneur.

There is significant difference between the issues of start-up capital. Beneficiaries of MASLOC have access to start-up capital than the non-beneficiaries of MASLOC. From the table, the standard deviation of the beneficiaries is 383.109 and that of the non-beneficiaries 373.2139. Since the t-value (2.087) is greater than the p-value (0.0381) it indicates that there is a difference in their access to start-up capital. There is also significant difference between the beneficiaries and non-beneficiaries in terms of the weekly income they get from their sales. The next section describes the ownership structure of the micro businesses (Figure 1).

Figure 1 indicates that, about 97% of the beneficiaries owned the businesses solely. This is however an indication of, one of the major reasons why commercial banks are not prepared to assist them in terms of financing as they are too much risky a business to deal with. It is important to point out that, it is always difficult if not impossible to separate the business from their owners and as such anything that affects them or any member of their family affects the business. Micro businesses lack proper records and lack of right accounting methods; they lack collateral and the technical knowhow in managing a business. This however was not different from the non-beneficiaries as about 91% also own their businesses. On partnership, beneficiaries were only 2% while that of non-beneficiaries were 8%. This means those found in this sector actually do not see the benefits of entering into partnerships but rather prefer to own their businesses. It is however not surprising that in terms of access to credit non-beneficiaries is much higher than that of beneficiaries. On ownership by family, it was virtually non-existence since it was less than 1% both for beneficiaries and non-beneficiaries. The type of economic activity follows (Figure 2).

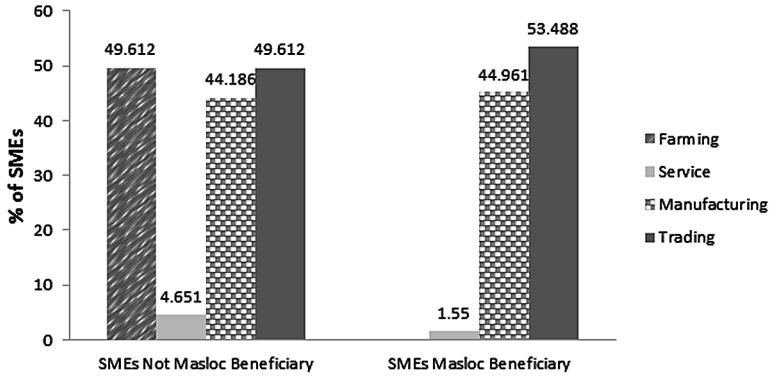
From Figure 2, the number of non-beneficiaries is 49.612% approximately 50% followed by service with 44.19, manufacturing is 4.651% and farming is 1.550% while that of MASLOC beneficiaries, trading is 53.49%, service is 44.961%, manufacturing is 1.550% and 0% for farming. It is however not surprising that the most dominant economic activity is that of trading followed closely by service for the two groups of beneficiaries and this is mainly due to small capital required to start the business. The same

Figure 1. Ownership structure of MASLOC and non-MASLOC beneficiaries



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Figure 2. A graphical presentation of the economic activities of respondents



cannot be said of manufacturing and farming whose capital requirement is much higher than trading and services. The next section shows the relationship between the sales that beneficiaries of MASLOC loans make and the amount of loans that they get from the institution (Table 2).

The loan amounts range between 200 and 500 Ghana cedis. There is a direct relationship between the amount of money borrowed and the sales volume. From the table beneficiaries who took a loan of GHs200 had sales volume of about GHs1500 while those of GHs500 had sales volumes of GHs40, 000. This indicates that the higher the loan, the higher the sales. All things been equal higher profit, an increase in disposable income, injected back into the business will increase the working capital of the entrepreneur. However, an increase in sales might not necessarily result in an increase in profit and increase in working capital since the cost of borrowing from these micro finance institutions are very high. It is worth noting that high interest rate has resulted in the collapse of a number of micro businesses. Apart from the rates, poor business management skills have resulted in the collapse of most of the micro businesses since they tend to spend the loan on consumables instead of injecting the loan into the business. For example, in a study to examine the impact of microfinance on rural farmers in Malawi, Aguilar (2006) reported that farmers who borrow from microfinance institutions were no better off than those who did not borrow. Like Aguilar (2006), Boomperm et al. (2013), Berhane and Gardebroek (2011) and Augsburg (2012) argue that there is the need for a plus component (training in financial management, marketing and managerial skills and market development) for microfinance to succeed.

Coleman (2001) found that the village bank credit did not have any significant impact on physical asset accumulation, production and expenditure on education. In other words, credit on its own is not an effective tool for helping the poor to enhance their economic conditions, unless, for example, there

Table 2. Sales and credit

Amount (GHS)	Number of Beneficiaries	Range of Sales (GHS)
2000	1	3000 - 4000
3000	15	3000 - 10000
4000	40	3000 - 25000
5000	244	3000 - 40000

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is access to markets and other inequalities are removed. The next section explores other expenses that micro businesses spend the loans on after accessing the facility (Table 3).

From Table 3, the loans taken by the clients of MASLOC use the loans facility for payment of salaries, purchase of inputs, payment of school fees and for other expenses. A major area of usage is for other expense which shows sales value (r-value) of 39.4550. The amount spent on school fees is 20.933 of sales. This is also shown with a t-value of 0.79. The other area where the clients of MASLOCs invest is in the purchase of inputs. This is confirmed in a value of 5.7565 and a t-value of 2.57. Payment of salary is another area where part of the credit is invested into. There is a positive relation between the loans and salaries. This is clear from the table with a t-value of 2.32. Purchase of equipment, office rentals, and family upkeep are areas that most of the loans taken by MASLOC clients show little interest in investing. There is a negative correlation between MASLOC loans and amount used to purchase equipment. This indicates that clients take loan with little intentions of investing in the purchase of equipment. On the other hand, there is a high negative correlation between the MASLOC loans granted and amount of the loans used by the clients for office rentals. On family upkeep, there was also a negative relation

Table 3. Credit access and output levels

	1	2
	Sales Value	**Sales Value**
MASLOC Member [a]	-598.6047 (-0.27)	-4367.0534** (-2.20)
Amount Used to Pay Salaries		18.7940** -2.32
Amount Used to Purchase Equipment		-8.4001 (-0.74)
Amount used for family up keep		-17.5213 (-1.50)
Amount Used to Purchase Input		5.7565** -2.57
Amount Used for Office Rentals		-24.1057 (-0.92)
Amount Used for School Fees		20.933 -0.79
Amount for Other Expenses		39.4550*** -3.54
Constant	20048.2171*** -12.96	20048.2171*** -17.91
Observations	258	258
Adjusted R^2	-0.004	0.474
Log lik.	-2886.7044	-2799.7097
Chi-squared		
r^2	0.0003	0.4907
F	0.0749	29.9854

t statistics in parentheses

*p< 0.10, **p< 0.05, ***p< 0.01

a--- binary variable with 1 for MASLOC beneficiaries and 0 for otherwise

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between the amounts taken as loans and how much they invest in their family upkeep. It is however clear from the above that, apart from putting the money into the business, the loan is also spent on payment of school fees, salaries, purchase of inputs and other expenses as clearly indicated on the table. However, these expenses are likely to affect the repayment of the loan since these areas are not likely to generate immediate profit to support the payment of the loan. The principal loan amount has reduced whiles the interest rate remains the same. Ideally, these expenses should have been paid out of the business profit. This could however result in the entrepreneur paying back the loan with the principal instead of the profit and this might affect the growth of the business.

Discussion of Results

In the quest of the researcher to establish whether there are differences in performance of recipients and non-recipients of microcredit, assess the influence of alternative use of microcredit by small firms on performance as well as identify the factors explaining the link between access to credit and performance of small scale enterprises in Ghana, the following are the results of the findings.

Firstly, those who had access to microcredit were able to increase their sales. This indicates a direct relationship between access to credit and an increase in sales. This has however been collaborated with Karlan and Zinman (2008) who examined how individuals make economic decisions over time and whether micro-lending policies aid economic development. Proponents argue microcredit mitigates market failures, spurs microenterprise growth and boosts borrowers' well-being.

Again, the study was able to confirm that indeed respondents who took microcredit used some of the funds to pay salaries, buy inputs, payment of their wards school fees and other expenses. This was however confirmed by a study undertaken by Karlan and Zinman (2008) that studied the impact of consumer credit on low income borrowers in South Africa. According to them, it is surprising to learn that micro-loans aren't just for business use; recipients use them for household consumption and investment as well (however, some specific microfinance products are more tailored towards small businesses others towards consumer lending). For instance, many use micro-loans to pay for their child's school fees, to install a new roof on their house, to repair the motorcycle that they use to get to work, for food purchases in hard times (what economists refer to as 'consumption smoothing') and many other uses.

Finally, in establishing a link between credit access and the performance of small scale enterprises, it was found out that, women tend to have more access to credit than men even though gender was not a factor that was considered in granting credit to a business.

5. CONCLUSION AND RECOMMENDATION

This chapter provides the effect of microfinance on poverty reduction and entrepreneurial development. The central issue in such credit markets is twofold: the lender does not know much about the borrower asymmetric information, and effective, commonly used contractual arrangements for contending with asymmetric information do not work because the borrowers are too poor for the lender to use financial sanctions to achieve repayment of loans.

It was shown that access to microcredit has a positive impact on the growth of small businesses. This is because those who had access to credit were able to increase their sales; the beneficiaries of micro credit did not use their proceeds only for the business but on other things such as payment of school fees,

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wages and salaries of workers. The impulse of this is that, the beneficiary will have difficulty in paying back the loan; and it is established that gender is a factor that determines access to credit because the numbers were skewed towards women. The study also confirmed that majority of the beneficiary were sole proprietors whose economic activities were that of trading. Review of literature across developing countries confirm the success of microfinance in reducing poverty

Accessing small amounts of credit at reasonable interest rates give people an opportunity to set up their own small business. It has been said that poor people are trustable, with higher repayment rates than conventional borrowers. Poor households use microfinance to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education.

The micro entrepreneurs should be encouraged to make savings their habit in order to reduce their dependent on the micro finance institutions (MFI). Since most micro entrepreneurs prefer to deal with these MFI's instead of the traditional commercial banks, the laws on its operation should be strengthened by policy makers in ensuring that their savings are safe as well as a check on their interest rates. An increase in loan size will have a greater multiplier effect on households' income through profits from income generating activities. The credit services should be diversified by providing working capital loan, fixed asset loan, seasonal agricultural loan, car loan, consumer loan, emergency loan and parallel loan. To increase the impact, the loan products have to fit the financial needs of a wider range of household economic activities. This will however help reduce diversion and a significant reduction in the defaulting rate of customers.

Suggestions for Future Research

The empirical discussion has focused on the effect of microfinance on poverty reduction. There is clear evidence that microfinance improves entrepreneurship and reduce poverty, research must be extended to determine the impact of microfinance on recipients over time, since some studies suggest that it takes time for microfinance to have an effect on livelihoods of the poor. Aguilar (2006) and Augsburg (2012) argues that, there is the need for a plus component, i.e. training in financial management, marketing and managerial skills and market development, for microfinance to succeed. Again, this study looked a sample population in Madina and as such the research cannot be said to be very representative and will recommend that an institution will take this topic up in the whole of greater Accra.

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KEY TERMS AND DEFINITIONS

Accumulating Savings and Credit Associations (ASCAs): Informal savings groups. All members regularly save the same fixed amount while some participants borrow from the group. Interest is usually charged on loans. ASCAs require bookkeeping because the members do not all transact in the same way. Some members borrow while others are savers only, and borrowers may borrow different amounts on different dates for different periods. If members pay interest on their loans, the return to savings has to be individually calculated and fairly shared among the group.

Bankable: People who are deemed eligible to obtain financial services that can lead to income generation, repayment of loans, savings, and the building of assets.

Collateral: An asset pledged by a borrower to secure a loan, which can be repossessed in the case of default. In a microfinance context, collateral can vary from fixed assets such as a car, a sewing machine to cross-guarantees from peers.

Compulsory Savings: Savings payments that are required as part of loan terms or as a requirement for membership, usually in a credit union, cooperative, microfinance institution, and village bank or savings group. Compulsory savings are often required in place of collateral. The amount, timing, and level of access to these deposits are determined by the policies of the institution rather than by the client. Compulsory savings policies vary: deposits may be required weekly or monthly, before the loan is disbursed, when the loan is disbursed, and/or each time a loan instalment is paid. Clients may be allowed to withdraw at the end of the loan term; after a set number of weeks, months or years; or when they terminate their memberships.

Credit Union: A non-profit, member-based financial intermediary. It may offer a range of financial services, including lending and deposit taking, for the benefit of its members. The basic credit union is composed of a group of people having a 'common bond' who may be resident in the same neighbourhood or employed at the same place of work, or it can be a religious or ethnic grouping. The principal reason for the emphasis on a common bond is that the social pressure of the group is considered a very important condition as security for loans. It is a form of collateral which is not available in conventional

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finance. While not regulated by a state banking supervisory agency, it may come under the supervision of regional or national cooperative council.

Group Lending: A lending mechanism which allows a group of individuals - often called a solidarity group to provide collateral or loan guarantee through a group repayment pledge. The incentive to repay the loan is based on peer pressure, if one group member defaults, the other group members make up the payment amount.

Loan Agreement: A written contract between a lender and a borrower that sets out the rights and obligations of each party regarding a specified loan.

Micro Savings: Deposit services that allow people to store small amounts of money for future use, often without minimum balance requirements. Savings accounts allow households to save small amounts of money to meet unexpected expenses and plan for future investments such as education and old age.

Microcredit: A small amount of money loaned to a client by a bank or other institution. Microcredit can be offered, often without collateral, to an individual or through group lending. The incentive to repay is based on peer pressure; if one person in the group defaults, the other group members make up the payment amount.

Microloan: A loan imparted by a microfinance institution to a micro entrepreneur, to be used in the development of the borrower's small business. Microloans are used for working capital in the purchase of raw materials and goods for the microenterprise, as capital for construction, or in the purchase of fixed assets that aid in production, among other things.

Solidarity Economics: An economics based on efforts that seek to increase the quality of life of a region or community through not-for-profit endeavours.

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Chapter 31
Children and Youth Making Digital Media for the Social Good

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ABSTRACT

This chapter describes how children and youth are using digital media to address inequity in their schools, communities, and in society. The chapter begins with a review of the historical and cultural roots of children making digital media for the social good, and situates the approach in the context of other civic and community-based movements. The next section focuses on the range of ways that children and youth are making digital media, including who is participating, and the social and institutional factors involved. The next sections describe the benefits for the participants and for society, as well as the barriers to broader participation. Two case studies highlight key strategies for engaging marginalized youth in making digital media for the social good, and ways to expand the popularity of this approach. The chapter concludes with suggestions for future research, and the broader implications for education, civic engagement, social practice and policy.

INTRODUCTION

This chapter builds on a long history of youth-led movements to address issues of social justice in their schools, communities, and beyond. Efforts to reframe youth in terms of their agency and impact have had a profound effect on how they are viewed and on what researchers study (Ginwright, Noguera, & Cammarota, 2006; Giroux, 2003; Tuck & Wang, 2013). This view of youth has become increasingly relevant as we witness a growing access to opportunities to create content with and for large and diverse audiences, which has exploded with the digital media outlets now available through mobile devices.

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Although these two movements--social justice and digital media--have some obvious points of intersection, they are rarely talked about together.

In this chapter, we focus on the implications of children and youth making, not just using digital media. Our approach extends a long history of media studies that shows the way that media production is not neutral. For example, Morrell (2002) describes how the critical teaching of popular culture makes it a site for resisting injustice, an approach that is now captured in the DIY (do-it-yourself) movement in digital media and technology. Lankshear and Knobel (2008) describe DIY as a movement where novices reclaim the authority previously held by trained experts, as they express themselves through mechanisms that include podcasting, photography, music videos, and animation. In school settings the DIY movement has explored ways to use activities that include blogs, videos, and game making to engage youth and promote new literacies (Guzzetti, Elliott, & Welsch, 2010). Outside of school, DIY media creation often provides an outlet for creativity and self-expression through animated stories and e-textiles (Kafai & Peppler, 2011; Kafai & Peppler, 2014). To a great extent, the DIY movement has focused on artifacts produced by "everyday people to meet their own goals and personal satisfaction" (Lankshear & Knobel, 2008, p. 10). However, the excitement about DIY digital media is also about its potentially transformative role.

When youth create, not just use digital media, they are engaging in what others have called authentic learning experiences, which can have a transformative role for both the learner and the society that they aim to impact. Creating new media can take the form of questioning mainstream media using animated storytelling (Kafai, Fields, & Burke, 2010) and creating disruptive technologies such as encryption software for text messages (Milberry, 2014). For some, DIY digital media involves taking action without the gaze of those in power (Ratto & Boler, 2014), while others rely on adult guidance and access to resources. In a seminal article, Blikstein (2008) built on the work of Paulo Freire and Seymour Papert to explore the ways that digital media can be used for emancipation, particularly among youth from less privileged communities. He describes how social transformation happens when youth go beyond using technologies to designing personally meaningful devices, using the example of youth in Brazil who created a newspaper and a video documentary to raise awareness about issues of social justice in their community that they believed were important to address.

In this chapter, we shine the spotlight on the transformative power of digital media for addressing issues of social inequity, particularly when put in the hands of young people. While the use of digital media for the social good is thriving in adult populations, the review that follows shows that it is also growing among children and youth, who have increasing access to mobile and child-friendly technologies. In particular, there is a growing interest in the ways in which youth are making digital media for the social good. For the purpose of this chapter, *making* includes youth using digital tools for a range of activities, such as to write stories, make games, create online communities, build apps, create blogs, contribute to crowdsourcing sites, and produce images. Our focus is on pre-college students, so in most cases, the young people are not doing these activities themselves—they are working with peers, teachers, and adults. Thus, we include within the DIY acronym activities that involve making digital media in collaboration with other people. This chapter will both summarize research and provide general and specific examples of how children and youth are working together to make digital media for the social good, how this connects to and departs from a history of social justice movements, and the social conditions that foster engagement.

The following questions will be addressed:

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- What are the historical and cultural roots of children and youth making digital media for the social good?
- How are children and youth making digital media and how is it connected to the social good?
- What are the benefits and barriers to digital media production by children and youth?

The chapter includes a definition of what we mean by the "social good." Research on children and youth using digital media for social good is fairly new, and mostly descriptive. Where possible, we highlight variation in age, gender, culture, and socioeconomic status. In addition, we will discuss how to expand the popularity of making digital media in ways that benefit society, and include two case studies that describe efforts to increase access for marginalized youth to create transformative media. The next section describes the additional research that is needed to advance this field. The chapter concludes with recommendations for educators, researchers, and policy makers on how to increase the frequency and diversity of young people making digital media for the social good.

OVERVIEW OF THE RESEARCH

Historical and Cultural Roots

The material presented in this chapter builds on a long history that includes both academic theories and community-driven efforts to create social change. Academic researchers have developed and elaborated on resistance theory as a way to describe how young peoples' actions are often a logical reaction to oppression and inequity. This view, which was given wide attention after the publication of key articles by Willis (1977) and Fine (1991), focuses on youth agency in response to structural inequalities. The significance of this work is that it raised the possibility that youth actions, such as dropping out of school, getting pregnant, or taking low-paying jobs, should not be interpreted simply as an act of self-destruction or a sign of limited cognitive development. An alternative view is that youth were often carefully analyzing their situations and choosing to forge an educational or career path that was based on their values, or their sense of self. In other words, many of these youth were taking action in an effort to reclaim a sense of power and identity, however, given their limited tools, the result often had negative consequences for themselves or those around them.

Fine (2014) has written extensively about the contradictions inherent in resistance, which can result simultaneously in disrupting and becoming part of cycles of inequity. To increase the likelihood that resistance can have positive, transformational results, many have argued for the use of a critical pedagogy, which starts from the lived experiences of marginalized youth and engages them in a critical dialogue (Freire, 1970). The emphasis is on voices that are usually not heard, such as poor and urban youth, and on helping them take action using a medium that is familiar to them (e.g., music or film), in order to resist injustice (Morrell, 2002). Much of this work builds on the writings of Giroux (2003), who long ago argued for the need to engage youth in a dialogue to inform social change and help them recognize what he called the oppression of the mainstream media on today's youth. He argued that youth resistance can be harnessed to address the abuses of power to transform society for all, rather than result in greater marginalization. These works emphasize that by raising critical consciousness and creating spaces of opportunity, youth will be motivated and empowered to play an important role in community action for social change.

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Community is at the heart of many social justice movements that look to address issues of inequality or injustice. Successful social change efforts are driven by a collective that is fueled by each individual's awareness of the historical and cultural roots of inequities (Mercado & Reyes, 2010). In contrast to popular descriptions of the individual hero or heroine that makes social change, most efforts take place within a broader social network or context. For example, activism, particularly by youth in poor and urban communities with economic and systematic disparities, comes from collective reflection, action, and healing that takes place when individuals come together to discuss inequalities or violations of social justice (Ginwright, 2010). This coming together shows individuals that they are not alone, and promotes critical reflection about a current situation, and often reveals the roots of social inequality (Ginwight & Cammarota, 2002). It also results in a centralization of skills and knowledge to collectively impact the inequality. These views of youth agency, resistance, and community provide an important context for interpreting more recent examples of youth-driven activities, which are increasingly more likely to incorporate technology. As we show in the rest of this chapter, digital media has not replaced social movements; in many cases it is being used to strengthen these movements.

What Is the "Social Good?"

The focus in this chapter on the social good is part of a growing recognition of the ways in which youth are leading social change, as well as a renewed call for more youth to participate in civic affairs and the political process. It goes beyond examples of youth participation to explore how youth are taking action to address inequity. In an earlier article, we identified a continuum of involvement by youth in social change efforts (Denner & Bean, 2010). On one end of the continuum is *community service*, where youth help others in their community but there is no explicit connection to political systems or social change. A little further along the continuum is *service learning*, where involvement in the community has clearly identified learning objectives and opportunities for reflection that could include political analysis, but the goal is not to promote critical thinking about the roots of social inequality. What these approaches have in common is that they both focus on changing the youth and meeting immediate service needs, rather than on making lasting change in systems or structures. On the other hand, *civic engagement* involves the active participation of youth with others to improve their schools and communities. And *civic activism* typically involves building a critical consciousness, and focuses on social change efforts that are a direct response to an inequity at the local, regional, or global level. Civic activism is also sometimes an effort to address an immediate social injustice or problem and may or may not involve a long-term engagement or critical evaluation of the roots of the injustice (Wheeler, 2003).

In this chapter, we focus on actions that address broader issues, whether they are political, structural, or social. Following the continuum described above, we will include examples of youth involvement that range from civic engagement to civic activism. Although recent research has found that few are civically engaged (Livingstone, 2010; Malin et al., 2014), a wide range of youth-led efforts to make social change have been documented (Cammarota & Fine, 2008; Denner & Bean, 2010; Ginwright & Cammarota, 2007; Sherrod, Torney-Purta, & Flanagan, 2010). Building on this work, Ginwright and Cammarota (2002) created a model that can be used to describe three different stages of action. In their youth development social justice model, youth move from self-awareness to social awareness, and finally global awareness as they develop agency and the skills to negotiate, protest, and challenge institutionalized forms of social inequity. Thus, social change typically begins with awareness, identity exploration, and a critique of existing structures, before it moves to action.

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The availability of new media has led to new forms of civic engagement that manifest in online communities and networks (Papaioannou, 2013). Because self-awareness is a critical part of the social change process, this chapter will include examples of digital media creation that may not directly change systems of power and privilege, but are a first step in that process. Weis and Fine (1993) have clearly shown how self expression, particularly by people whose voices are typically silent, is one strategy for initiating both individual and social change. Thus, our definition of the "social good" includes efforts that have the potential to disrupt structural forces of oppression ranging from the local to the global, regardless of whether there is research that shows their impact on society. In addition, building on Fine (2014), we consider an action to be connected to the social good, even if it is not clear that it is driven by the intention to make social change.

What Does DIY Digital Media Look Like for Children and Youth?

Digital media has given youth a global platform to reveal and take action in response to injustice, and this is particularly important for youth with no other political outlet, and those who feel excluded from politics (Buckingham, 2000). One of the most exciting parts of increased accessibility to digital media is that children and youth are using technology in new and unexpected ways, including as a way to make content or products that disrupt or challenge the adult-driven world of digital media, as well as products that help address injustice and a lack of resources or opportunities in their communities.

In this section, we describe how children and youth are making digital media, in ways that range from self-expression to activism. Despite the growth in content creation, it is still being done by a relatively small subset of children and youth. A recent survey of youth in the US found that 1 in 6 are involved in "active expression, such as organizing an online group or discussion, starting a website, or creating original media to share online" (Cohen & Kahne, 2012). That study found that 11% had started a political group in a social media site, 6% wrote an article or sent a video about a political topic to an online news site, 7% wrote an email or blog about a political issue, and 7% expressed their political views in an event like a poetry slam or music event (Cohen & Kahne, 2012). A study in the UK had similar findings. Livingstone (2010) did focus groups and surveyed a large number of 9-19 year olds in the UK and found that very few are interested in civic or political issues. Among those that go online at least once a week, half have visited a website about something like a charity, human rights issue, or the environment, but the outcome was usually just to get information. Only 35% did something as a result of visiting the site, and only 23% created content (sent an email or joined a chat discussion). There is limited data on who are producing media content, but a recent study of Canadian youth showed that although almost all the participants could access the internet outside of school, their activities varied, it was the older and more affluent youth who were more likely to be creating content (Steeves, 2012).

There are a variety of ways in which children and youth are making digital media that have implications for the social good. One popular approach is for youth to engage in participatory action research to collect information that they then use to create change (Whyte, 1991). In one example, young women worked as a collective to do research about gentrification in their neighborhood, and used that data to create websites that "speak back" to different audiences that play a role in these developments (Cahill, Rios-Moore, & Threatts, 2008). Another example is of high school students who conducted research on the inequities at their school that limit access and opportunity, and then created digital media projects (e.g., a documentary) to share the results of their research (Romero et al., 2008). When the students presented their projects to key decision makers, it led to structural changes that improved the safety of

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their school, as well as the learning environment (Romero et al., 2008). And in a third example, middle school students used surveys and interviews to collect information that informed the creation of news media broadcasts that were designed to challenge unfair decisions at their school (e.g., school dress code, recess time) (Jenson, Dayha, & Fisher, 2014a). These examples show how participatory action research can fuel youth-driven digital media production, but the activities are typically initiated by and carefully monitored by adults.

Activities that involve making zines, videos, or blog posts are more likely to be initiated by young people, with less oversight or control by persons in power. Thus, these forms of digital media are often used by youth who want to interrogate dominant discourses that are perceived to limit their access or opportunity. For example, Guzzetti and Gamboa (2004) describe how girls create and distribute zines on the internet (and on paper) to raise awareness and incite others to act on issues that are important to them, but are typically ignored by the mainstream media. Similarly, Edell, Brown, & Tolman (2013) describe how teens and young women challenge media representations of girls' bodies by creating blog posts, online petitions, and presentations that are distributed online. And Banet-Weiser (2011) describes how girls create and post videos online and claims this is a way of "mocking celebrity as well as beauty culture" and "allows girls to both perform gendered identity and to point out its contradictions" (p. 8). Because the videos are not polished by adults, they capture the complexity of the expectations that girls perceive as they simultaneously embrace and challenge societal ideals about beauty.

More readily accessible technologies have been used, particularly by poor and marginalized youth. Mitchell et al. (2010) describe a group of rural girls in South Africa who worked to impact the HIV/AIDS epidemic by writing blog posts that included challenges to media stereotypes about who gets AIDS. Others have described how youth use mobile devices to create visual images and micro-blogging (e.g., Twitter) to capture and share incidents of injustice, in an effort to mobilize millions of voices for social change (Diaz-Ortiz & Stone, 2011; Salazar, 2010). Youth Radio is another example of how young people are creating media that adds to and critiques mainstream news coverage. For example, Youth Radio's Emails from Kosovo series, which told the story of war in Serbia through the eyes of young people, was broadcast on NPR and influenced international politics (Soep & Chávez, 2010). These are all examples of how youth are engaging in disruptive and potentially transformative acts by circumventing the dominant media and producing and distributing their own stories.

Other ways that youth create digital media for social change is in the production of interactive products that others can use, like games and apps. In 1995, a foundational book on computer game programming called Minds in Play (Kafai, 1995) described how children can create games to teach younger children about math or science. Since then, a growing number of freely available, and novice-friendly game authoring tools such as Scratch, GameMaker, and Alice, has led to an increasing number of computer game programming classes, both in and after school; some of the games address social justice issues. For example, a program for First Nations high school students in the US provided the resources for them to create digital games that tell and rework traditional stories from their culture (Lameman, Lewis & Fragnito, 2010). In another US high school class, students created mobile games to advocate for an environmental issue in their community. Mathews (2010) found that when they made a game "…about an issue that was important to them and included their voices, the students felt like they were able to 'push back' against the city" (p. 99). Similarly, girls in an afterschool class were motivated to create games that could be used teach younger students how to navigate the challenges of middle school, including unequal treatment by teachers and administrators (Denner et al., 2005). And in more recent programs,

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youth are creating apps that address structural inequities, such as limited opportunities and access to after school activities (Van Wart, Vakil, & Parikh, 2014).

Like prior social justice movements, a key aspect of youth making digital media is the role of social context, and the ways that it enables and constrains the nature of what is made and the impact it has. Jenkins et al. (2009) have described how children and youth contribute to and shape the content of online digital media as part of a participatory culture. He described participatory cultures as having "relatively low barriers to artistic expression and civic engagement, strong support for creating and sharing one's creations, and some type of informal mentorship whereby what is known by the most experienced is passed along to novices." For example, participatory politics are described as "interactive, peer-based acts through which individuals and groups seek to exert both voice and influence on issues of public concern. Importantly, these acts are not guided by deference to elites or formal institutions" (Cohen & Kahne, 2012). Websites like www.change.org provide a space for youth to rally support for causes that demand a response from or change by corporations, educational institutions, and political groups. Participation in these groups has led youth to create online petitions that directly challenge or protest giant media corporations (Earl & Schussman, 2008).

These movements are taking place primarily online, through actions like blog posts, creating videos, or starting a new political group. For example, Jenkins (2014) describes what he calls "fan activism," and provides an example of a global community of youth who use metaphors from the Harry Potter books to mobilize and raise funds, often rewriting parts of the narrative. And Kafai & Burke (2013) describe the ScratchEd online community as a form of "computational participation," where youth design, create, and remix digital media products in collaboration with others.

As these studies have shown, digital media can provide a tool for self expression, civic engagement, and activism. The examples described here show only some of the many possible ways that children and youth can use digital media to make a difference in the social, cultural, economic, and political issues that affect their daily lives. In the next section, we review some key issues raised by these studies, including the benefits and barriers, and use two case studies to highlight some promising strategies for engaging more children and youth in the production of digital media that can lead to positive societal change.

CURRENT ISSUES RAISED BY THESE STUDIES

What Are the Benefits of Making Digital Media for the Social Good?

The majority of existing research focuses on the benefits of engagement in different kinds of digital media production for the children and youth that are involved. Kafai and Peppler (2011) identified four categories of participatory competencies that are necessary for full participation in DIY media production: technical, critical, creative, and ethical practices. Technical competencies include coding, debugging, and repurposing; critical competencies include reworking and remixing media; creative competencies include applying artistic principles and connecting multimodal sign systems; and ethical practices include crediting ownership and providing inside information. A small body of research shows the range of ways that making digital media, particularly for the social good, can build these competencies. We briefly summarize the results of these studies below.

The different competencies can be found in a range of digital media production activities. For example, studies have shown that when children program games they engage with computer science concepts and

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develop skills such as programming and debugging (Denner, Werner, & Ortiz, 2012; Feng & Chen, 2013). Similarly, writing blogs can increase young peoples' knowledge about how to identify things that they can do in their own communities, and a sense of empowerment that they can make a difference (Mitchell et al., 2010). And making an environmental mobile game (Mathews, 2010) or building an app (Van Wart et al., 2014) can increase students' awareness about and ability to analyze social issues, as well as build their technical understanding. Similarly, creative competencies that include self expression and making artistic choices are fostered through activities like making e-textiles. For example, Kafai and Peppler (2014) describe how youth "redefine their position within established power structures" while creating products that involve sewing, fabric, circuits and codes (p. 180).

Critical practices that directly challenge organizational or political structures involve remixing and deconstructing, and are found in activities such as making Zines (Chidgey, 2014) or do-it-yourself news (Annany, 2014). Although no known formal research has examined the benefits of these activities for the development of critical competencies, records of online viewing suggest they have wide impact. For example, the most popular video by 9-year-old Kid President on Youtube has been viewed over 34,000,000 times and has likely mobilized a generation of young children from racial/ethnic minority groups to become critical and active citizens. These competencies prepare youth, particularly those from poor and underserved communities, with workforce competencies that can have great implications for the economic prosperity of their communities. Other potential benefits of the development of these competencies include increased knowledge and confidence, a more critical or analytic perspective on social justice, and changes in attitudes.

The benefits of youth-led digital media production for the social good are harder to gauge. There are many case studies of how youth are changing conversations and mobilizing adult action (Ginwright et al., 2006; Romero et al., 2008; Soep & Chávez, 2010). However, it is not possible to confirm causation, or whether an external factor caused both of these actions, or whether the result is generalizable beyond that particular situation. While there are several anecdotal examples of how digital media projects have had an impact on social issues, there is not enough research to describe the actual benefits to society.

What Are the Barriers to Making Digital Media for the Social Good?

Research also highlights some of the challenges to productive engagement, which include structural and relational factors that limit access and support. In an analysis of youth activism, Gordon (2008) concludes that mobility plays a major role in who participates. For example, girls and younger students tend to have greater restrictions on where they go (both online and physically) and who they interact with. Thus, in an era of fear about cyberbullying, accessing inappropriate material and sexual predators, efforts to protect children can have the unintended consequence of also limiting their opportunity to engage with transformative social and digital media. Others have also described the ways that adults control youth's access to DIY media production, and the importance of understanding how they both support and constrain opportunity and action (Jenson et al., 2014a; Livingstone & Helsper, 2008). In particular, challenges include school-based power relations that silence youth voices, as well as limited access to technology or adults with expertise in digital media (Jenson, Dayha, & Fisher, 2014b).

Economic factors also determine who has access to computers and unrestricted wifi. Hispanic youth and those with household incomes less than $30,000 a year are the least likely to have internet access, and African American youth are most likely to access the internet on a cell phone (Madden et al., 2013). Not surprisingly, studies show that youth are more likely to be creating digital content when they are

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older and come from more affluent families (Steeves, 2012). Transparency about the barriers to the productive use of digital media for the social good is rare; probably because the adults writing about these activities are part of the barriers. Building on a legacy of youth-led social justice efforts, adults must maintain a critical perspective on their own role, and the ways that they both constrain and create possibilities for authentic spaces in which children and youth, particularly those from groups whose voices are underrepresented, can create and distribute digital media.

CASE STUDIES

In this section, we highlight two examples of how to meaningfully involve youth in the creation of digital media for the social good. These examples are intended to illustrate contemporary approaches to using a critical pedagogy that motivates marginalized youth to build the skills and become creators of digital products that will benefit their communities and society as a whole. These cases were selected for several reasons. One is that they are designed to overcome many of the barriers to making digital media for the social good described earlier. Second, in contrast to most writings on critical pedagogy that focus primarily on teenagers or young adults, the examples include youth from elementary through high school. Finally, the programs focus on digital media production by Hispanic/Latino youth, whose experiences have been surprisingly absent from critical media studies.

Case #1: CSteach – Computer Science for the Social Good

CSteach is an afterschool class where elementary students from underrepresented groups learn to create digital media to address issues of social justice. It uses a near peer teaching model that includes high school students who are from the community and often know the younger children in the program, either through their extended family or neighborhood. The goal is to foster capacities, identities, and relationships to use the tools of computer science for positive social change, among both the 5th grade and high school students. The class has been implemented 10 times so far in a school district that serves mostly Latino, low income students. To date, participants have included approximately 300 elementary school students (ages 9-11 years), and 30 high school students between the ages 15-17.

The program uses critical pedagogy to help students identify areas of injustice and opportunity in their community, and to create a message using digital media. CSteach draws on research in mathematics that shows how creating learning experiences that are culturally relevant and connect with social justice issues can engage students in learning in a way that is deep, meaningful, and that contributes to the development of a positive identity (Leonard et al., 2010). It also builds on examples of "computing for the social good" in college (Goldweber et al., 2011), and is the first known effort to integrate computer science and social justice in elementary schools. Thus, one of the goals is to help students recognize how computer programming (coding) can be relevant to their lives and that it can be used to make changes or create things that will help their family and community. Specific goals are that students will: a) learn to identify and understand advocacy needs and opportunities in their schools and/or community, b) understand some of the ways that computer science can help address these needs, and c) develop a sense of responsibility and motivation to use the tools of computer science for the social good.

Social justice concepts are introduced in age-appropriate ways to help students understand and generate ideas about how technology can be used for the social good of their school. Because the program targets

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10-11 year old children, it uses terms that are recognizable to the students. For example, the "definition" of social justice in CSteach is that it is something that a student believes is unfair in their community and needs to be changed or improved. It should be relevant, and ideally personally meaningful to them. To this end, the program teaches four "big ideas" about social justice that are developmentally appropriate for young children:

- **Fairness:** Students learn the difference between having a complaint or a dislike, and situations that are a result of inequality in people's opportunities, due to bias, unequal distribution of power, or other privileges.
- **Community:** Students focus on an issue that is personally meaningful and impacts themselves or people they are connected to. Given their limited mobility outside the school, the 5th grade students are encouraged to think about fairness at their school.
- **Empowerment:** Students learn about other young people who believe that they can make (and are making) real change, which builds their own motivation, including the development of an identity as a leader or change agent.
- **Action:** Students learn that collective action is the most effective way to make social change, and that change can happen by working with others and leveraging both social and computer networks.

The 13-week curriculum guides students through the exploration of social justice both from a local and a global perspective. They are introduced to the topics by watching short videos with examples of how technology is being used by young people to solve problems around the world, as well as children and youth engaged in efforts to improve their community. These short videos highlight the ways in which the power of technology can be leveraged to build community support for a local issue, and how technology can be the vehicle to disseminate information to a community. The activities are framed within a context that the students understand and can relate to--they identify circumstances that they or others consider to be unfair at their school.

A series of activities were designed to scaffold students' developing understanding of social justice, and how they can be involved in social change. The students move from self awareness to social awareness--the first two stages of action in Ginwright and Cammarota's (2002) model of youth development social justice. The activities are delivered by high school students, and are at an appropriate developmental level to help students think about their school as a space where everyone has an equal right to learn and participate. The high school students draw on their own experiences to help the younger students reflect on what is important to them, and then guide them through activities to explore what makes them feel good and helps them learn at school. Then students reflect on things that are unfair, and what prevents them and others from feeling good and having equal opportunities to learn at school. They identify the factors that get in the way of having a safe and fair learning and social environment. Finally, the students work together to identify solutions to those barriers in order to make their school more "awesome."

It is these "awesome" ideas that are incorporated into a digital multimedia project--an animation that students design and then code using the Scratch programming tool. The projects are designed to send a message about something they see as unfair at their school, why, and how it should be changed. The final digital media projects are shared with their peers, teachers, and administrators at school, as well as with their families. The program creates a space for children to contextualize and localize social justice issues in their own language, with support from older students in their community, and gives them the tools and resources to write a message using digital media that can be used as a first step toward social change.

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Case #2: The Digital NEST

Digital NEST (Nurturing Entrepreneurial Skills with Technology) creates sustainable and scalable technology centers in low income communities in California, with the goal of engaging, empowering, and preparing youth to create digital media that will fuel local economic development. It is a community-based hub that provides a safe and collaborative learning environment and opportunities for people between the ages of 12-24 to enter a common space where they can work together to build digital media products for the benefit of themselves and their community. The long-term goal is to bring prosperity to underserved communities by teaching technological and entrepreneurial skills to youth and young adults.

The Digital NEST started in an agricultural community where few families can afford to buy their children a computer or get reliable internet, and even fewer can provide expensive software that requires regular updates and maintenance. The community lacks the infrastructure to provide the public with high speed internet, so many motivated high school and college students sit outside businesses or on weekends on the closed campus of the local community college in order to find a connection that will allow them to do their homework. Due to these limitations, the community has few high tech professionals; those who left the community to get an education or pursue work experience have few incentives or opportunities to return to work in their home town.

The Digital NEST is modeled after successful technology companies that inspire creativity and innovation, and provides its members with state-of-the-art technology in a safe space that gets them off the streets. There are four major components. The NEST provides access to: 1) *Technology.* Youth use laptops to access professional, multimedia software, take online computing and digital media courses, visit social networking sites, create original digital media projects, and connect with peers and professionals with similar interests. 2) *Technology education*. Youth meet and take classes from mentors who represent leading digital media and technology companies, such as Google, Netflix, and Smith Micro Software, and they have access to thousands of online courses. The youth can choose among classes on digital film making, digital game design, networking, mobile application development, web site design, and graphic design. 3) *Leadership opportunities*. Youth take on leadership roles both within and outside the NEST. For example, local and regional companies hire youth to work as consultants and gain real-world experience by building digital media products and providing technology support services, which infuse youth voice into local business and fuel community economic development. Youth also learn leadership skills that they apply by directing the activities at the NEST and mentoring younger students. 4) *A safe and creative space outside of school*. The center is centrally located, and run primarily by young adults, providing a safe and productive place where youth can create digital media and reinvent their futures.

As an example of youth leadership, members developed an ideology to guide how the space would be used. Together they wrote the following statement: "As Members of the Digital NEST, we commit to bettering our community by becoming innovators and utilizing technology for the benefit of ourselves and others, providing a safe and collaborative learning environment, maintaining a positive perception about our community, and providing service to our local and global community." While adult participation is a critical part of the Digital NEST, particularly for connecting youth with resources and helping them to establish a process, youth leadership has been essential for creating a place that does not reproduce the structural inequalities that many of these youth experience in formal institutions, like school.

There are some commonalities that run across these two case studies. First, both use an intergenerational model that builds on cultural strengths. This model is based on the work of Bourdieu (1986) that shows there are resources and social capital in poor and marginalized communities, even if they are not

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valued by the dominant culture. The use of near peers from the local community not only helps to deliver the digital media skills in a language that is familiar to them, it provides youth with more experienced (but still young) people from whom they learn how to navigate challenges and create opportunities that allow them to pursue their goals and still maintain ties to their family and culture (Cooper, 2011). A second commonality across these case studies is that they aim to foster empowerment with digital media among individuals by creating access, building their technical skills, and then scaffolding opportunities for them to use those tools to participate as active citizens in their community. A third similarity is that both CSteach and the Digital NEST recognize the importance of creating a safe space where different kinds of skills and interests are valued. This means that there are opportunities and mentors, regardless of whether a person is interested in the more technical aspects of digital media that involve programming, the more artistic aspects that involve images and music, or the more social aspects that involve leading groups and building networks.

How Can the Popularity of Making Digital Media in Ways That Benefit Society Be Expanded?

Although much of the digital media created for the social good is youth-driven, adults play a crucial role in creating equitable opportunities. Youth with limited access to digital media need adults to set up opportunities and structures that they can realistically use. Although most schools in the US have computers and internet access, firewalls block access to websites that promote social networking and social change. Libraries are another access point, but many have limited hours, or cannot be safely reached by youth from different neighborhoods, and few are accessible to children or youth without parental supervision. As shown in the case studies, effective strategies include providing opportunities to take some introductory courses or workshops, to work with more experienced youth, and to create project-based digital media content that can easily be accomplished even with little technology knowledge. Other organizations like Global Minimum (www.gmin.org) are dedicated to building the capacity of young people to solve problems affecting their communities using innovative methods that often include digital media and technology. In Africa, they foster intergenerational teams that have built a range of solutions including a communication platform through social networks and apps to connect poor high school students with university students, and luminescent boards to create light for emergency service providers to safely navigate through informal settlements. And the TakingITGlobal program combines digital youth engagement with global education and social innovation; a study found that participation led to the creation of digital media online, and the use of the tools to make change in their communities (Raynes-Goldie & Walker, 2008). To increase the number of youth that are making digital media for the social good, we need organizations like these, that leverage the desire of many youth to take action to improve conditions for themselves and their families.

However, not all efforts to engage children and youth in digital media production create the space or the guidance to connect these activities to social change; the results depend in part on the motivation of the adults involved. For example, Fisherkeller (2013) identified multiple reasons that adults have created opportunities for youth to produce their own media. These include: to increase children's civic engagement or political participation, to create opportunities for self-expression and creativity, and to motivate children to engage in and persist in complex digital environments for some other outcomes, such as to learn about computation, to build confidence with computing, or to increase media literacy. Clearly, it is not necessary for every digital media class to focus on how it can be used to address social

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injustice. However, when adults set up the opportunity and structure for youth to create digital media, they have to be conscious about the ways in which they are controlling it, so that youth can drive the content that is created.

GAPS IN THE RESEARCH AND DIRECTIONS FOR FUTURE RESEARCH

There are several limitations of existing research that prevent us from guiding efforts to effectively engage children and youth in digital media production for the social good. In particular, we know little about why youth participate, what they learn, or the benefits to society. We also have limited knowledge of how the answers to these questions will vary, depending on the kinds of media that youth produce.

Some of the limitations are methodological. For example, most existing studies are small, in-depth descriptions of a group or program, and it is not possible to generalize the findings from most studies due to a lack of diversity in the participants, self-selection of children and youth into the activities, and small sample sizes, which often rely on case studies of one or two children. A range of methodological approaches are needed to provide both in-depth and generalizable findings. We need both large studies to understand who is making digital media for the social good and how, as well as in-depth studies to understand the benefits to both the youth and society as a whole.

In addition, we need more studies of youth designing and developing new technologies for the social good. Soep (2015) makes the important point that "…it's important to disaggregate what we mean by media, that we include technology creation as a kind of media production, and that we pinpoint specific considerations related to telling digital stories versus creating digital tools and platforms" (p. 30). Indeed, creating products like digital games and apps has been linked to various kinds of computational learning and thinking (Grover & Pea, 2013; Werner, Denner, & Campe, 2014). However, the focus of most of these efforts has been on building the capacities of individuals, rather than on the implications of their products for social change—who uses them, how, and what are the resulting changes in people, institutions, or systems?

There are several additional directions for future research. For example, we know little about how and why youth create digital media for the social good—the factors that lead or enable them to design and develop products. We also know little about the kinds of programs, curriculum, or institutional structures that increase the likelihood that youth will create digital media that aims to address injustice or improve lives. Research is also needed on the potential risks or backlash in response to efforts by youth to use digital media for the social good. Few have described who responds to their creations and how the nature of this response varies across communities and power structures. This information is important to understand if we are to increase the number and diversity of youth who engage in these practices.

Despite the emphasis in the research on the importance of social factors, there is very little information about how the family and the school foster the creation of digital media. This is particularly important because Livingstone (2010) found that it was schools and parents that were the greatest influencers on youth's interest in and participation in politics. Thus, we need research on the role that parents, siblings, and other family members play in where, when, and how youth create digital media for the social good. While studies have shown that parents can create barriers, little is known about how they (or other family member) create opportunities, either by being role models through their own digital media creation, or by sending their children to classes where they can get the skills and support. In addition, there is a need for research on whether participation looks different if it is youth-generated compared to when it

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is happening in an adult-led class or program. Part of this research should be an investigation into the role of privilege and adult control in creating digital media for the social good.

Although most of this research has focused on the transformative power of digital media production, there is rarely discussion about the institutional resources or level of adult support that are necessary for young people to successfully complete and share a project. A few have called for more dialogue about this, and have highlighted the ways that institutional structures can limit this work (Jenson et al., 2014a). But additional transparency and documentation of these factors will go a long way toward creating learning environments where young people can create digital media that has a positive influence on themselves and the things they care about.

Similarly, research is needed on effective educational practices and pedagogies. While some teachers are integrating DIY media into their classroom (Guzzetti et al., 2010) little is known about how to support these efforts to be effective for different kinds of students. We also need research on whether students take these experiences outside the school, or the extent to which they involve creating media for the social good. The existing research is also missing a developmental perspective on the most appropriate strategies for introducing concepts of social justice and civic engagement to children at different ages. Additional dialogue with children of all ages is needed to incorporate terminology that is familiar to them.

Fine (2014) recommends taking a long-term view to understand the factors leading up to youth resistance, as well as the consequences of those actions. Thus, the next stage of research should not only analyze the digital media content or products created by youth, but also understand the circumstances (both supports and challenges) that led to the creation of the product, as well as what happened, both to the individual and to society, as a result of those creations. Drawing on these limitations, we will make recommendations for next steps to fill these research gaps.

IMPLICATIONS AND RECOMMENDATIONS FOR EDUCATION, CIVIC ENGAGEMENT, SOCIAL PRACTICE, AND POLICY

There are several implications for educators, parents, policymakers, and companies that make digital media tools. Youth, particularly those from poor communities, need both the support and the resources to use digital media for the social good. Educators and parents can increase the likelihood that their children's digital media use will have a social justice component if they engage youth as leaders in the decision-making about the content and use of their digital media. The best way to promote the use of digital media for the social good involves striking a balance between trying to guide and direct their activities to increase their impact, and supporting youth's critical consciousness, creativity, and self expression. We have described some of those physical and online spaces in this chapter. For policymakers to create and sustain efforts that connect digital media use with the social good, they should break down institutional barriers (e.g., lack of computer centers in underserved communities, high cost of internet) of accessing technology and create financial support for efforts that tie digital media and social justice. And companies can increase the ease with which their tools can be used for the social good by offering free or drastically reducing the cost of software for youth, and providing training and examples of how the software can be used to address social justice issues.

Creating opportunities for the meaningful engagement of youth that are underrepresented in the careers that shape the digital future is an act of social justice itself. Members of underserved communities do

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not have equal access to the high paying and growing number of technology-related careers. The act of engaging youth from these communities is one way to address the social justice issue but it needs to be done meaningfully and deeply. It must build on existing cultural and social capital, which means having local leaders involved at every stage, and putting youth in authentic decision making roles.

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KEY TERMS AND DEFINITIONS

Digital Media: Newscasts, games, blogs, music, films, images, animated stories.
DIY: Do-it-yourself digital media.
Marginalized: A person or group of people whose perspectives are outside the mainstream.

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Participatory Culture: A community characterized by creative expression and civic engagement.
Social Justice: Equality in terms of wealth, opportunities and privileges.
Social Media: Internet and mobile-based tools for sharing and discussing ideas.
Youth Agency: Active participation of young people in overcoming injustice.

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Chapter 32
Is the EU Moving Towards Sustainable Development?
Changes in the Social Exclusion Area in Some European Countries

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ABSTRACT

In accordance with its agenda, the EU wants to include actively every European citizen in society taking into consideration some challenges like poverty, gender inequalities, social exclusion or long-term unemployment. The economic crisis has influenced the indicators of social exclusion such as monetary poverty and living conditions, education and the access to labour market. The index "risk of poverty or social exclusion" is influenced by certain characteristics of the population (education level of parents, country of birth, degree of urbanization, activity, household type, age, tenure status, citizenship, sex etc.) being able to identify the most disadvantaged subgroups of it. This paper analyzes the evolution of this index in the European Union, taken in consideration its determinants.

INTRODUCTION

The term of "social exclusion" is used in the literature in various forms: it is often associated with poverty and social capital (Stone, 2001), with the lack of social integration or inadequate social participation (Winter, 2000).

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The origin of the concept of "social exclusion" is found in the early twentieth century in German economists and sociologists thinking which have explained it by providing a privileged socially position by a group or by an individual at the expense of others (Hills, Le Grand & Piachaud, 2002).

Social exclusion has always been a constant concern in terms of culture and politics in France. Its origins can be found in the eighteenth century when the idea of the state as the embodiment of the nation has emerged.

Sociologist Emile Durkheim (1895) has focused on this concept and on fragile relationships between society members and between them and the nation state.

Estivill (2003) focuses on the use of political discourse in addressing the concept of social exclusion. In this regard, he said that there is a greater degree of skepticism from politicians regarding remedial measures of poverty. He also argues that social exclusion is more acceptable to public opinion instead of poverty. An exclusive society is much more acceptable for different political views.

The transition from the poverty speech to that linked to social exclusion has occurred with increasing individual culture and neo-liberal thinking.

Byrne (1999) and Levitas (2005) argue that the concept of poverty has been replaced with social exclusion, the latter being understood as a detachment from social life and the labor market.

Amartya (2000) believes that social exclusion provides new explanations on the causes and consequences of poverty and discrimination.

Beall (2002) addresses in her works more conceptual views on social exclusion. Thus, according to neo-liberal thinking, social exclusion is a consequence of global trade liberalization and a unique global market. Another approach considered that social exclusion is a concept which detracts from the inequality created by the malfunction of the economy. The transformationalist approach focuses on social relationships that arise in various formal and informal organizations. The concept is used to analyze international processes in combination with economic and social changes in the global system.

In the modern view, this concept has appeared in France and refers to those who are excluded from the social insurance system (Lenoir, 1974) or are excluded from certain economic or social activities because of lack of opportunities (Saunders, Naidoo & Griffiths, 2007).

Also, at the institutional level it began to be used and adopted this concept where there is a mainstream policy framework within the European Union. The Eurostat Taskforce on Social Exclusion and Poverty Statistics defines the term as follows (Hayes, Gray & Edwards, 2008):

A dynamic process, best described as descending levels: some disadvantages lead to exclusion, which in turn leads to more disadvantage and more social exclusion and ends up with persistent multiple (deprivation) disadvantages. Individuals, households and spatial units can be excluded from access to resources like employment, health, education, social or political life.

The concept of social exclusion has appeared in EU policy discourse during Delors presidency following the recommendations given by the Commission as Directives. Most of them were related to social protection systems and acknowledged that social exclusion has a multidimensional nature becoming more and more diversified. In addition, it emphasized that many individuals can play an appropriate role in economic and social life because of insufficient and uncertain resources.

According to these recommendations Member States are invited to recognize the basic rights of every citizen to live in a decent manner, which means that you must achieve a minimum level of income. In

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this regard Member States should widen cooperation between them in order to adopt a common political vision of the European Union which has as main objectives the following (Ferrera, Matsaganis & Sacchi, 2002):

- To promote social inclusion;
- To make pension system sustainable;
- To provide secure income;
- To ensure high quality of health care.

In 2013 the European Commission developed a "social investment package for growth and cohesion" to determine inclusion favorable growth in 2020. The package proposes several challenges such as active inclusion of people excluded from the labor market, aging demographic, social services of general interest, homelessness. In addition, the European Platform against Poverty and Social Exclusion was created to establish a structured dialogue between the EU and European stakeholders (NGOs, unions, business organizations, academic structures, national and regional authorities, international organizations and European foundations).

The main purpose of the platform is to implement 64 measures from poverty and social exclusion field at European level. These refer to:

- Reducing early school leaving;
- Fighting child poverty;
- Promoting social entrepreneurship.

The Commission organizes an annual convention in conjunction with the EU Council Presidency that examines the actions at European and national level. The platform and annual convention represent the basic tool for social investments since they force to mobilize key actors at local, regional, national and European level.

There is a connection between global production systems and social exclusion that varies according to international policies on trade and investment. The changes that take place in global production systems are reflected on social exclusion when referring to (Carr & Chen, 2004):

- The situation in which export-led growth has as result the inclusion of workers in the global market in unsafe conditions;
- The situation in which there are barriers that prevent self-employed workers to take advantage from the economic benefits of trade and investment liberalization;
- The situation in which trade liberalization lead to the disappearance of the existing domestic companies by cheap imports and changing technology.

The hierarchy of social exclusion is structured by institutions and key actors that regulate different economic and political environment in which operate social structures. This influences the labor sector by determining each individual's role and place in this structure (see Table 1).

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Table 1. Key actors from social environment

From What?	How?	By Whom?
Land housing	Market transactions	Dominant players
Other productive assets	Policies/laws	The State
Credit/savings	Social norms	The private sector
Secure jobs/productive work	Rules of the game	Civil society
Income		The community
Worker rights/benefits		The household
		Dominant institutions

Source: Based on data from Carr, M., Chen, M. (2004), *Globalization, social exclusion and work: with special reference to informal employment and gender*, Working Paper No. 20, Policy Integration Department, World Commission on the Social Dimension of Globalization, International Labour Office, Geneva

DIMENSION OF SOCIAL EXCLUSION

Due to the lack of a precise definition of social exclusion is difficult to measure this phenomenon. Therefore, the literature is using two models that identify several key dimensions of social exclusion.

The first model is given by Burchard et al. (2002) which have identified four dimensions of social exclusion:

- Consumption;
- Production;
- Political engagement;
- Social interaction.

The second model was developed by Millennium Poverty and Social Exclusion Survey of Britain that has identified the follow dimensions (Saunders, Naidoo & Griffiths, 2007):

- Exclusion from adequate resources;
- Service exclusion;
- Labour market exclusion;
- Exclusion from social relations.

In December 2001, the European Council from Laeken (Belgium) has adopted a set of indicators that are designed to monitor the performance of Member States in promoting social inclusion, support the exchange of best practices and to observe the progress at national and European level relative to the key objectives of the European Union. These indicators combine data from national level with transnational objectives agreed by the Member States.

Member States have adopted the "open method of coordination" to fight against poverty and social exclusion addressing the following elements:

- Mutual agreement regarding the objectives on poverty and social exclusion;
- Exchange best practices;

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- The development of national action plans;
- The adoption of common indicators.

Given the multi-dimensional aspect of social exclusion, European Union member states have recommended to split these indicators into primary and secondary indicators (see Table 2).

The economic crisis has affected EU countries at both economic and social level and its effects are visible in falling living standards of citizens. In the short term, there was a deterioration in the "risk of poverty or social exclusion" indicator that has manifested in various forms: monetary poverty, severe material deprivation or low work intensity. In contrast, there were positive trends in terms of education indicators, especially for the young population (Atkinson, 2009).

Concerns for the eradication of poverty have been expanded worldwide and were linked with sustainable development. In this regard, there is the decision of the General Assembly adopted in 1997 and the Agenda 21 - Action Plan adopted for more than 178 countries at the Rio de Janeiro conference in June 1992 and reaffirmed at the World Summit on Sustainable Development in Johannesburg September 2002 (Atkinson & Hills, 1998).

Around 17% of the total population in the EU lives below the poverty line. European citizens have different ways of understanding poverty. They believe that people are poor when they (European Commission, 2010):

- Depend on charity or public subsidies (24%);
- Cannot participate to their community because they don't have enough resources (26%);
- Have less than the poverty threshold per month to live on (18%);
- Are not able to afford the basic goods (17%).

These perceptions are different from country to country (see Table 3).

Over 76% of European citizens believe that poverty is widespread in their country. Again, the perceptions are different in each country (see Table 4).

In Table 5 is shown the indicator of *people at risk of poverty or social exclusion* for the more affected countries and less affected countries from European Union (Eurostat, 2014).

Table 2. The main indicators of social exclusion

Primary Indicators	Secondary Indicators
At-risk-of-poverty rate after social transfers	At-risk-of-poverty rate before social transfer
Persistent risk-of-poverty rate	Gini coefficient
Inequality of income distribution	Dispersion around the risk of poverty threshold
Regional cohesion	Very long term unemployment rate
Life expectancy at birth	Persons with low educational attainment
Relative median at-risk-of-poverty gap	
Long term unemployment rate	
Persons living in jobless households	

Source: Based on data from

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Table 3. Different perceptions of poverty

People are Poor when Their Resources are Limited	People are Poor when they are not Able to Afford Basic Goods	People are Poor when they have Less than National Poverty Threshold
Sweden 48%	Ireland 41%	Greece 36%
Netherland 42%	Italy 40%	Cyprus 32%
Denmark 39%	Portugal 38%	Poland 29%
Finland 37%	Belgium 35%	Estonia 28%
France 31%	Austria 31%	Slovakia 25%

Source: Based on data from European Commission, *Poverty and Social Exclusion Report*, Special Eurobarometer 355, 2010

Table 4. Dimension of poverty in some European countries

Country	%
Romania	96
Hungary	95
Bulgaria	93
Denmark	38
Cyprus	38
Sweden	33

Source: Based on data from European Commission, *Poverty and Social Exclusion Report*, Special Eurobarometer 355, 2010

Table 5. People at risk of poverty or social exclusion in selected European countries (%)

	2010	2011	2012	2013
Bulgaria	49.2	49.1	49.3	48.0
Romania	41.4	40.3	41.7	40.4
Latvia	38.2	40.1	36.2	35.1
Lithuania	34.0	33.1	32.5	30.8
Hungary	29.9	31.0	32.4	33.5
Greece	27.7	31.0	34.6	35.7
Austria	18.9	19.2	18.5	18.8
Denmark	18.3	18.9	19.0	18.9
Luxembourg	17.1	16.8	18.4	19.0
Netherlands	15.1	15.7	15.0	15.9
Sweden	15.0	16.1	15.6	16.4
Czech Republic	14.4	15.3	15.4	14.6

Source: Based on data from Eurostat, *Living conditions in Europe*, Eurostat Statistical Books, Luxembourg, 2014

The risk of poverty is linked to a higher risk of social exclusion and the persistent at-risk-of-poverty rate is more relevant for people who live in single-parent households because this group is vulnerable.

People who are more affected by the risk of poverty are young adults, women, low educated people or unemployed people. Table 7 shows that people at risk of poverty or social exclusion indicator was high for young adults (31.6%) and for people between 50 and 64 age (25.6%). For those with low educational level the high percent was again for young adults (35%).

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Table 6. People at risk of poverty or social exclusion by household type, 2012 (% of population)

	Households Without Children				Households With Children				
	All Households Without Children	Single Person	Two Adults, at Least One Aged 65 Years or Over	Two or More Adults Without Children	All Households With Children	Single Person With Dependent Children	Two Adults With One Dependent Child	Two Adults With Three or More Dependent Children	Two or More Adults With Dependent Children
Bulgaria	50.9	73.3	59.0	46.3	47.9	77.5	42.7	80.7	46.4
Latvia	36.3	49.5	31.9	31.5	36.2	63.7	29.8	52.3	32.8
Lithuania	35.6	49.5	28.2	28.7	29.8	51.8	23.1	45.1	27.1
Romania	35.3	49.0	33.4	31.8	46.8	60.7	32.9	72.5	46.3
Greece	32.2	35.7	24.9	31.6	37.4	74.7	37.5	43.7	36.3
Hungary	27.7	39.2	19.8	24.9	36.6	57.5	31.2	49.6	35.1
Denmark	24.2	37.7	10.7	12.9	13.1	34.7	8.2	9.1	9.1
Austria	19.3	30.4	13.1	14.4	17.6	38.6	13.8	27.0	15.8
Sweden	18.2	35.6	6.2	8.0	13.4	36.4	8.7	17.1	10.2
Netherlands	15.7	30.1	6.1	8.4	14.3	49.4	6.1	17.0	10.6
Czech Republic	14.6	24.9	7.4	11.6	16.1	43.5	10.7	25.9	13.6
Luxembourg	13.5	19.5	6.0	10.7	22.3	54.2	16.5	26.1	19.8

Source: Based on data from Eurostat, *Living conditions in Europe*, Eurostat Statistical Books, Luxembourg, 2014

Table 7. People at risk of poverty or social exclusion by demographic or economic status, 2012 (% of population)

Sex	Females	25
	Males	21
Age	18-24	31
	25-49	22
	50-64	26
	65+	19
Education	Low	44
	Medium	23
	High	12
Activity status	Unemployed	78
	Other inactive	43
	Retired	20
	Employed	13

Source: Based on data from European Commission, *Poverty and Social Exclusion Report*, Special Eurobarometer 355, Brussels, 2010

Poverty has several consequences, among them being financial and social exclusion. The poor Europeans have difficulties in accessing the financial services (see Table 8).

Again, because of the high poverty level, European citizens have several difficulties in accessing different services like: decent housing, finding a job, higher education, or maintaining a friends network (Sima and Gheorghe, 2011) (see Figure 1).

These effects have a great impact from psychological point of view and lead to a harder adaptation to labor market demands. The long-term unemployment, the low quality of life and a persistent poverty rate affects the social cohesion (Aceleanu, Serban & Burghelea, 2015).

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Figure 1. Financial exclusion. Source: Based on data from http://ec.europa.eu/eurostat/data/database.

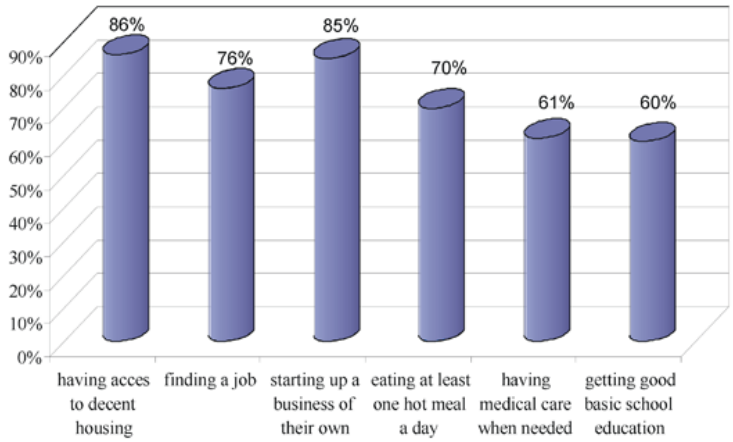
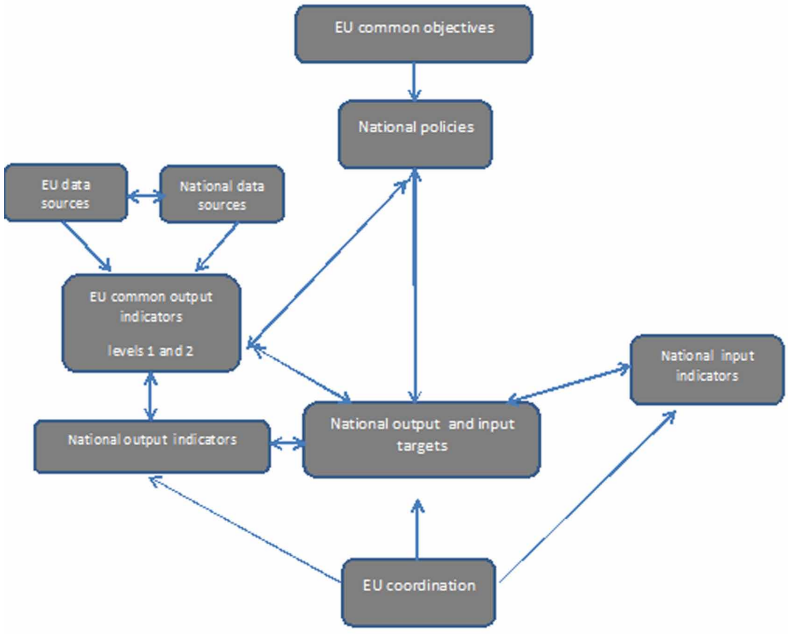


Table 8. Financial exclusion cases

	Get a Mortgage	Get a Loan	Get a Credit Card
Europeans with difficulties paying bills on time	70	65	57
Europeans with difficulties making ends meet	68	60	53
The unemployed	67	58	50
Europeans living in a poor household	64	53	46

Source: Based on data from European Commission, *Poverty and Social Exclusion Report*, Special Eurobarometer 355, Brussels, 2010

Figure 2. Indicators and targets of social exclusion. Source: Atkinson, T., Marlier, E. and Nolan, B. (2003), indicators and targets for social inclusion in the European Union. Available at https://ideas.repec.org/p/esr/wpaper/wp151.html.



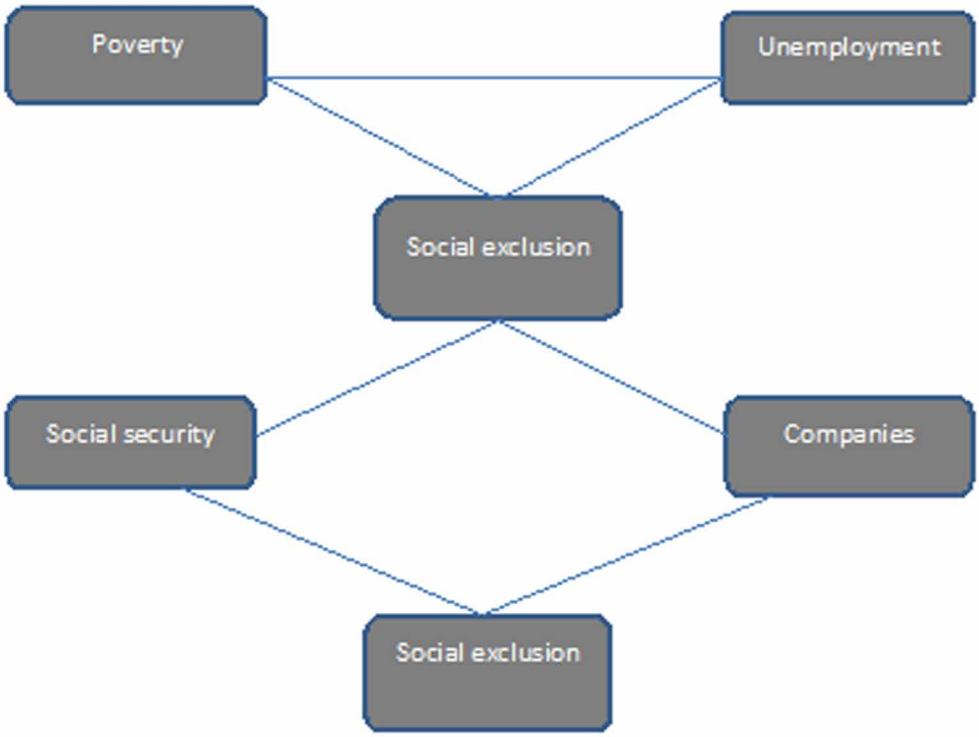
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In order to reduce poverty and social exclusion is necessary to establish several objectives similar to those in the workforce and in the macro-economy. The adoption of a set of indicators was an important step in tackling social exclusion at national and European level. Member States should establish a set of common objectives on common indicators of social exclusion. It is interesting to see what kind of relationship exists between national and EU indicators and different targets set by national economies (Atkinson, Marlier & Nolan, 2003) (see Figure 2).

There is a strong relationship between unemployment, poverty and social exclusion. Some specialists have suggested that poverty and social exclusion are interchangeably, but they are not the same. People may be poor but not socially excluded and vice versa. That's why there are many differences in viewing the role of social security benefits (see Figure 3).

The analysis of social exclusion process complements the literature on poverty. These two processes are different but they interact on dynamically level and they are mutually reinforcing (Devicienti & Poggi, 2011).

Figure 3. Relationship between poverty, unemployment and social exclusion. Source: Atkinson, A.B., Hills, J. (1998), Exclusion, Employment and Opportunity, Centre for Analysis of Social Exclusion, London School of Economics, London.



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CONCLUSION

The concept of social inclusion/exclusion emerged in response to the crisis of the welfare state in Europe, which had an increasing impact on the analysis of social disadvantages in Europe over the last couple of decades.

Lately, EU citizens have become aware of the extent of poverty and social exclusion and they believe that urgent action is needed. Poverty is perceived as a process where resources are so limited that people cannot participate fully in society. Thus, most people depend on public subsidies or charitable activities. Significant increases were observed in this process: thus, over three in four EU citizens believe that poverty is widespread in their country, while over four in five European citizens consider that this phenomenon started in the European Union in recent years. These results must be understood against the background of financial and economic crisis which greatly influenced public opinion.

All over analysis suggest the following:

- Social exclusion is caused by both the way in which institutions and state work and the way of other institutions work as well as civil society, private sector, community or family;
- Social exclusion occurs not only on the labor market or in conjunction with social security; it is also linked with the legal and economic and social policies;
- Social exclusion is affected by the way in which institutions or civil society works at local, national and international level.

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Chapter 33
Mobile Learning for Social Change:
Democratizing Education and Civic Engagement

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ABSTRACT

This chapter focuses on how mobile apps and smartphones can be used to enhance democratic education in schools and society at large, why such opportunities need to be more seriously considered as integral to the school learning environment, and how it can empower citizens for civic engagement. Using Dewey's philosophy of democratic education this chapter provides examples of mobile apps designed through classroom, community-based or after school programs that provide youth with coding training opportunities as well as macro-level highlights of civic engagement for social change. Reviewing theories of technology – from determinism to social embeddedness – this chapter reflects on the inherent "democratic" design of mobile technologies, as well as the challenge to embrace the interest that youth and society in general have for mobile app use. It is a call to promote mobile-driven democratic education in an environment encouraging continuous learning as well as cultivating and leveraging mobile technologies to develop an informed public voice and participatory agency.

INTRODUCTION

For the majority of the world's population today the widespread use of mobile phones has become an accepted part of everyday life. In 2014 Quartz publication asserted that globally there were almost as many cell phone subscriptions as there were human beings on the planet, which was more than the total population that ever had access to telephone land-lines (Fernholz, 2014). The advent of smartphones has

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subsequently launched the mobile app age, which has created more opportunities for connectedness and a globalized social network that can likewise be harnessed for democratic education and social change. This chapter provides an overview of theories of technology and democratic education and highlights both micro and macro-level examples of mobile applications that were designed, developed and used for civic engagement and social change, some of which connected classroom education with real-life experiences.

Currently, the use of new media technologies such as mobile apps in schools has provided the opportunity to not only learn about democratic education, but to also actively participate as citizens in addressing and improving social outcomes. Mobile technologies have in a sense democratized the classroom space by enhancing students' social networks. At the same time, the presence and use of mobile technologies have allowed youth to become civically engaged as they design and develop mobile applications that are – in the spirit of democratic education – relevant to their personal life experiences and pertinent in addressing larger social issues of inequality and access.

BACKGROUND: THEORIES OF TECHNOLOGY AND DEMOCRATIC EDUCATION

What is meant by democratic education? For philosopher and activist John Dewey the concept of democratic education centered on nurturing students' abilities to observe their environment as well as to encourage their development of creativity. Dewey staunchly supported the designing of educational spaces that linked the students' life experiences with the classroom curriculum. School for Dewey was not a place for rote memorization and lecture-based instruction, but rather a place where what is taught is directly relevant to the current social circumstance and experience of the student. Dewey sought to connect the social life of the school with that outside of school walls with the intention that students learn to become aware of how their actions affect their peers and others in the larger society (Dewey, 1916). In his seminal work *Democracy and Education*, Dewey noted that "in the final account, then not only does social life demand teaching and learning for its own permanence, but the very process of living together educates" (Dewey, 1916, p6). In essence one critical purpose of formal schooling is to develop informed citizens who can thrive and contribute to a democratic society.

Building on Dewey's vision of developing informed and active citizens in a democratic society Westheimer & Kahne (2004) describe three ways that individuals can become civically involved. First, there is the personally responsible citizen who volunteers, and takes seriously his/her role as a law-abiding individual. Secondly, the participatory citizen is active at the local, state or national levels. In schools, for example, students are taught how government works and are provided with opportunities to train and take part in community-based initiatives. Finally, the justice-oriented citizen practices democracy by studying the socio-economic and political structure of society and mobilizing solutions to effect systemic change. The justice-oriented citizen inquires about the root causes of social problems and creates opportunities in community to address challenges and find long-term solutions. Both the participatory and the justice-oriented citizen move beyond the responsibilities of the individual to engage with their communities, and both encourage a certain level of discussion and deliberation to solve problems.

Keeping Dewey's democratic education aims in mind, one may reflect on the nature and purpose of mobile technologies currently in popular use. Technology, and in particular communication technologies, have been studied from various viewpoints including determinism, neutralism and social embeddedness. According to Warschauer (2004) the belief that technologies can fix issues or improve conditions

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irrespective of the social context and thereby create an independent impact on society is a deterministic viewpoint. A neutralist argument, on the other hand, posits that technology is neither bad nor good in and of itself (Warschauer, 2004). Communication theories and media scholar Marshall McLuhan embraced these technological deterministic and neutralist positions while academic and novelist Raymond Williams opted to view technology as inextricably tied to the social fabric of society.

McLuhan's Theory of Technological Determinism: The Medium Is the Message

McLuhan is well known for the notion that technology isn't just man-made material, but rather that it serves as an extension of the human being. Having founded the Centre for Culture &Technology in Toronto McLuhan's work in media studies sought to connect academia and everyday popular culture by studying communication technology as a medium (Witzel, 2003). Through a historical lens McLuhan expounded on how modern societies shifted from a predominantly oral to a written-based system of information with the invention of the printing press and the subsequent mass printing of books. With the advent of the radio everyday culture shifted once again to a new form of oral transmission (Witzel, 2003). Our current utilization of the Internet as well as social media involves a mix of written, visual, and oral records.

McLuhan notes the presence of four principles that apply to the field of communications as follows:

1. A technology functions as an addendum that may extend human faculties;
2. As one kind of experience is increased by technology another is likewise decreased;
3. When moved to its limit the characteristics of the technology itself is altered; and
4. The content of any new technology is derived from a prior type of technology (Witzel, 2003).

In the 1960s McLuhan used the phrase "the global village" to describe how networking through communication technologies was expanding mass media and creating a global culture that made the transmission of messages worldwide faster and easier (Witzel, 2003). Highlighting this influence of communication technologies on society McLuhan coined the phrase 'the medium is the message,' which focuses attention not on the type of information passed on through the use of these technologies, but instead on the medium itself as being inextricably connected to our everyday lives (Witzel, 2003). When technology is perceived, as is the case with McLuhan, to serve as an extension of ourselves it points to our formal embrace of the medium (McLuhan, 1994), and with this embeddedness McLuhan notes that the medium becomes the message itself as it ultimately causes a shift in society as a whole (McLuhan, 1994). As a scholar McLuhan (1992) proposes that technology should be viewed through the context of what produces it as well as what technology itself brings to society. This essence of technology influencing society is the basis of the theory of technological determinism. According to Warschauer (2004) hard technological determinism causes social transformation while soft determinism enables societal shifts but does not cause social change.

Raymond Williams' Critique of Technological Determinism

Raymond Williams' critique of technological determinism is that the theory perceives technology as being independent from society's influence. While technology is considered to cause transformation, it remains untouched by its environment; the impact is unidirectional as the atmosphere in which it operates

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is not included in the equation (Williams, 2003). In contrast, Williams encourages viewing the intention of technology as something central to its nature, as a medium that is developed for a particular purpose and hence is influenced by members of the society who create the tool (Williams, 2003). Furthermore, Williams cites that a technology's development is driven by human values and goals, which becomes an essential characteristic of the technology. Williams contends that human intention drives the nature of technology as much as technology itself transforms society.

The Social Embeddedness of Technology and Durkheim's Social Networks

Warschauer (2004) notes that technology is not positive, negative or neutral. It is also not independent of human and societal influences. Instead, he offers an alternative to determinism and neutralism, which is that technology and society are inextricably linked; they influence one another and therefore bi-directional. Focusing on the mutual impact Warschauer (2004) studies how individuals use technology in addition to assessing what kinds of technology are being used. Recognizing that the function of communication technologies is to reshape how individuals network and communicate with one another Warschauer (2004) looks at how systems encourage individual and societal transformation while developing and re-shaping technological tools.

In a similar vein, Schroeder and Ling (2014) highlight Durkheim's theory of social networks and echo Warschauer's perspective of the social embeddedness of technology by emphasizing the study of tools from a broader perspective; they acknowledge it as an integral part of the environment rather than as an outside, independent force. Schroeder and Ling (2014) also note the macro and micro-level perspective that Durkheim & Weber emphasize when studying the social impact of technology. Durkheim and Weber point to the structural influence of communication technologies on social transformation (Schroeder & Ling, 2014). According to Schroeder and Ling (2014) Durkheim proposes the concept of mechanical solidarity, which describes an atmosphere where individuals who find themselves in the same particular situation come together to form a social network. As society is transformed from a pre-industrial into an industrial society Durkheim expects a shift from mechanical solidarity to one that he coins as organic in which individuals interact in an increasingly interdependent system with more defined roles (Schroeder & Ling, 2014). In an organic society it is no longer the homogenous makeup of the community that helps develop social cohesion, but rather that individuals rely more and more on each other. What Schroeder and Ling (2014) further suggest is that modern-day information and communications technologies (ICTs) lead us to what they call a neo-mechanical solidarity, where social networks are formed within individual environments and that is developed by the use of mediums that encourage digital sharing. In other words, in a society that functions on neo-mechanical solidarity, the social networks are focused around the practice of sharing, as is evident both in the online and social media contexts today. Given that studies of technology and social change in the current mobile app environment focus on communication technologies that encourage a culture of sharing and social networking the critical question for today's educators therefore is: "how can we better harness mobile technologies that are used extensively by youth and educators, to promote democratic education?"

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YOUTH, MOBILE PHONES AND CIVIC ENGAGEMENT: APPS FOR SOCIAL CHANGE

According to a 2013 report on teens and technology, published by Pew Internet and the Berkman Center for Internet & Society at Harvard University, approximately 95% of youth communicate online with 25% of them accessing the Internet via mobile phone (Madden et al., 2013). Although the digital divide continues to exist between white and minority teens as well as those residing in low-income neighborhoods, the Pew Internet reports, however, that teens from lower socioeconomic backgrounds were just as likely as their peers in high-income communities to utilize mobile phone as their primary communication tool (Madden et al., 2013). Students in the United States and abroad have already taken the personal initiative to develop and use mobile app technologies to solve social problems at the local, state and national levels. In 2012, a sixth grade student, Victoria Walker, submitted her mobile app design that discouraged teenagers from texting while driving and won $20,000 as part of AT&T's 'It Can Wait' campaign. To prevent car accidents Walker's app includes a feature that taps into an individual's social network to send out an alert anytime a group member uses their phone while driving (Almendraia, 2012) -- the idea being that your social network can virtually connect with you, and remind you to avoid life-threatening behaviors. The app, named Rode Dog, will also bark at the driver till the phone is shut off. Walker's efforts to develop an app to prevent motor accidents in her community can be seen as an example of the personally-responsible and participatory citizen using mobile technology to promote both law-abiding citizenship and safer communities.

What about mobile app projects by justice-oriented teen citizens? 13-year old Illinois native Trisha Prabhu submitted her Rethink Cyberbullying Prevention app to the 2014 Google Science Fair and was announced as a finalist (Klein, 2014). According to the National Crime Prevention Council (NCPC), as use of digital technologies increase among teens so does the problem of cyberbullying. NCPC's survey of 824 teens aged 13-17 reveals that over 43% of teens have been victims of cyberbullying (NCPC.org). Prabhu aims to get to the root of this social problem by providing adolescents with an opportunity to rethink and deliberate on their intentions in order to prevent the online posting or publishing of hateful comments. The mobile app encourages a participant to care about the societal consequences of his/her actions, and in the study that Prabhu conducted to test her app she found that a dramatic 93% reduction in the number of youth who intended to post messages considered to be akin to cyberbullying (Klein, 2014). Issues such as cyberbullying can be remedied in many ways, including increasing awareness and providing resources to assist individuals who are victims, but perhaps the best way is preventive -- stopping people from being cyberbullies in the first place. Prabhu's project and mobile app hopes to promote such a systemic change.

After-School and Community-Based Mobile App Development Programs

Most of the examples found within the school environment are relegated to after-school activities teaching students how to code, or curriculums run by non-profits who are developing tech-based training programs for schools. The Flatiron after-school coding conservatory, for example, showcases a curriculum of various programming languages including Javascript, HTML, and Ruby on Rails, with the goal of having students perceive technology as a creative tool allowing them to become producers rather than simply passive consumers. Under the section of the school's web site entitled 'How We Teach' the

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coding curriculum is described as collaborative learning with a core featuring human-centered design (Flatironschool.com, 2014). Here, students are trained to be creative makers, not only of technology but also of applications that can be used for democratic education and social change. Students participating in the Flatiron after school coding academy are not passive learners; they are being empowered to design or re-conceptualize mobile apps in a manner that is more relevant to their own everyday experiences, and they are learning to do so in the peripheries of a school system. Such lessons are by default imbued with elements of democratic education.

Launched in Berkeley, California in 1992 Youth Radio is another example of an organization that trains youths – approximately 420 each year. In 2014 Youth Radio launched its Innovation Lab and became one of the world's first programs to train youth in mobile app-making skills (Youthradio.org). The innovation lab has partnered with MIT Media Lab Center for Mobile Learning to teach teens how to connect journalism and media studies with coding and programming skills with the aim of designing innovative storytelling platforms. Like the Flatiron school training program, the Innovation Lab supports the notion that youth can be mobile app developers who themselves create the tools to tell their stories as drivers of change. As Youth Radio's website aptly puts it teens can take the lead to research and disseminate news (Youthradio.org). The Youth Radio Innovation Lab defines its vision as providing data-driven journalism created by youth through the use of various communication technologies including mobiles (Youthradio.org). This aim seems quintessentially Dewey-esque in that the Innovation Lab breaks down the barrier between teacher and student – those roles become interchangeable in this type of environment. While the educational experience is certainly directed growth, it also provides a space for exploration, creativity, and a strong pursuit to connect the learning of skills with its application in society in a meaningful and relevant manner. Dewey (1934) emphasizes a human-centered classroom environment that incorporates social values into the learning environment, and the journalistic and mobile development training that teens receive via Youth Radio's Innovation Lab echoes this philosophy of education as they use their knowledge and skills to go out into the world and practice journalism, highlighting the social justice concerns of fellow citizens in their communities. The opportunity to dialogue with their peers as well as community members, to research stories and gather data while preparing journalistic reports allows these youth to become informed citizens at an early age.

MACRO-LEVEL CIVIC ENGAGEMENT AND MOBILE ACTIVISM

In 2005 one of the first conferences on mobile activism was held in Toronto. Following the three-day conference that brought together individuals interested in using mobiles for social change, Katrin Verclas, an IT professional, founded an organization called MobileActive to continue the dialogues and collaborations (Boyle, 2010). Currently, the MobileActive site includes guides for various types of activism including environmental and human rights, as well as case studies of how mobiles have been used to empower citizens in transforming various sectors including education, healthcare, and political elections (MobileActive, 2015). Three years after the MobileActive conference the United Nations Foundation and the Vodaphone Group Foundation commissioned a report entitled *Wireless Technology for Social Change: Trends in Mobile Use by NGOs* and examined emerging trends in mobile activism through 11 case studies focusing on mobile use for global health, humanitarian assistance, and environmental conservation across five continents (Kinkade & Verclas, 2008). The case studies were based on a survey conducted between December 2007 and January 2008, which gathered the responses of over 500 NGO

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employees about mobile phone use (Kinkade & Verclas, 2008). Survey results showed that 86% of the participants were using mobiles in their jobs -- particularly in African or Asian countries -- and that 99% of the participants felt mobiles made a largely positive social impact within their communities. The survey also showed a wide range of mobile use that included text messaging, camera and video use, data collection or transmission, data analysis, mapping, logistics management (Kinkade & Verclas, 2008). Moreover, 91% of participants noted that mobiles assisted them for more faster and efficient organizing as well as networking with individuals, especially in connecting with those who resided in hard-to-reach areas. The survey also showed that a vast majority, 76% of participants, wanted to continue to increase use of mobiles for work (Kinkade & Verclas, 2008). The use of mobiles for civic engagement and social change has continued to grow since this early mobile era.

The United Nations Educational, Scientific, and Cultural Organization has also reviewed trends in mobile activism and in 2015 published a report entitled *Mobile Phones & Literacy: Empowerment in Women's Hands*, which featured nine case studies of mobile phone use for literacy projects in Niger, Senegal, Somalia, Afghanistan, Cambodia, Pakistan, India and Morocco (UNESCO, 2015). The publication studied how mobiles were used to engage and empower women in underserved, rural communities to build their literacy skills by primarily utilizing SMS texting features. UNESCO's recommendations included improving access to communication technologies and necessary infrastructure in rural areas; engaging both women and men in the communities as stakeholders in both the design and implementation of mobile-based literacy projects; connecting mobile-based literacy projects to additional areas of empowerment such as increasing job opportunities and community participation for women; and encouraging teachers to promote digital skills in literacy programs along with inquiry-based learning components (UNESCO, 2015).

Crowdmapping for Disaster Preparedness and Participatory Citizenship

Mobile phone use at the macro-level is evident in the disaster response and preparedness sector. Activists around the world have harnessed the power of mobiles to collect and report information in order to assist individuals in crises or to reach those affected by natural disasters. In such a case using geo-location tools with mobiles has launched the era of crowdmapping. One of the earliest examples of mobile activism for crowdmapping was spearheaded by the Kenya-based organization Ushahidi. Initially developed to track and report incidences of violence during a turbulent election season in 2008 in Kenya, Ushahidi – which means testimony in the Swahili language – rapidly morphed into a global crowdsourcing platform utilized in various situation including: tracking anti-immigrant violence in South Africa as well as monitoring election activity in Mexico and India. The Ushahidi platform primarily allows the collection, management and analysis of data as well as data visualization and status updates via an automatic alert system. Data is collected from several sources including mobile apps, SMS, email and Twitter using customized forms submitted by volunteers worldwide, and the information is stored in a format that is searchable (Ushahidi, 2015). Data collection and analysis also takes place virtually across multiple users of the platform in an open-source team environment. Ushahidi's data visualization features include street-level data developed to work with Open Street Maps and MapQuest and can provide specific location-based information that is essential to disaster response work on the ground.

Ushahidi's crowdsourcing features were successfully used to provide emergency location-based data during the devastating 2010 earthquake in Haiti in collaboration with the International Network of Crisis Mappers. The Haiti Crisis mapping project included approximately 2000 reports with hundreds of vol-

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unteers networking globally and working around the clock to monitor the crisis (Meier, 2012). Shortly after launching of the Ushahidi-based crowdsourcing effort for disaster relief, a global SMS number was set up so that anyone in Haiti needing urgent assistance could send a message regarding their physical location (Meier, 2012). The setup of a SMS number and the subsequent responses received greatly assisted humanitarian organizations on the ground and their workers to reach individuals requiring dire assistance by accurately identifying their location and estimating the logistics needed to provide relief.

In another utilization of Ushahidi's crowdmapping capabilities The Louisiana Bucket Brigade (LABB), in collaboration with the Gulf Monitoring Consortium, launched the iWitness Pollution Map in May 2010 to gather eyewitness reports of one of the largest oil spill in American history that occurred at the Deepwater Horizon rig in the Gulf of Mexico. The iWitness Pollution Map was one of the first instances of Ushahidi use for disaster relief in the United States (LABB, n.d) where the large-scale pollution included over 205 million gallons of crude oil spilling over the course of 87 days damaging the Gulf coastline from Texas to Alabama (Hoch, 2010). To date the Ushahidi-driven iWitness Pollution Map has gathered more than 19,000 reports regarding the spill and its effects on the Gulf coastline, which was submitted via the Internet, mobile texts, phone messages and emails. The data received was later visualized and analyzed on the iWitness Pollution Map platform. The tracking of the oil spill through crowdmapping not only helped collect data from citizens, witnesses and volunteers, but also helped record public efforts to document the impact as well as government and business responses to the environmental disaster (Leson, H., 2013). The reports remain archived on the iWitness Pollution site so both scholars and citizens continue to have access to the information.

Crowdmapping has also assisted the country of Philippines to monitor flooding issues nationwide via a mobile app called Flood Patrol. In 2012 the Philstar Global Business News section featured the Android app developed by the Ateneo Java Wireless Competency Center, which allows citizens in the Philippines to report flooding information that is shared via the Internet, as well as to receive alerts via the mobile app of areas affected by flooding in real time. The app works in conjunction with a project aptly named NOAH (Nationwide Operational Assessment of Hazards), which provides rainfall statistics across the country (Evangelista, 2012). Mobile-based civic engagement for flood monitoring in the Philippines not only shows the power of developing digital tools for civic engagement but also strengthens national data collection and reporting efforts that are more often than not left up to governmental institutions. Through crowdsourcing mobile apps the human toll from natural disasters may be reduced, and those needing emergency assistance are better able to be reached through geo-location powered tools such as the features available on open-source Ushahidi-based platforms.

Crowdmapping using Ushahidi is not only for disaster preparedness and relief; it can also be used to collect information on structural violence and shed light on chronic inequalities faced by marginalized groups. In February 2016 the digital journalism site, The Quint, reported the launch of an Ushahidi powered project to gather data on discrimination faced by individuals belonging to the Dalit caste in India, particularly in institutions of higher learning. The crowdmapping effort to track caste discrimination in higher education aimed to collect information directly from Dalits who face various barriers including delays in receiving fellowships as well as becoming victims of sexual violence due to their lower caste status. Marginalized individuals facing the repercussions of caste discrimination were able to send data to the crowdmapping platform via the Ushahidi Android and iPhone apps, tweets, and via an email address set up for data gathering (Rattanpal, 2016). The information collected was then visualized on Ushahidi maps and a real time database was available for activists as well as governmental agencies to utilize while implementing informed long-term solutions.

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Moreover, youth are also developing mobile apps to crowdsource information for disaster preparedness and relief. In the Summer of 2015, three teenagers from North Texas made it as one of the finalist teams to present at the U.S. Army's annual eCybermission STEM competition (Eliseev, 2015). Their app named CERTPRO – an acronym for Commuity Emergency Response Team – was developed after disaster-hit areas during the 2013 tornado in Moore, Oklahoma saw lags in federal emergency response. CERTPRO is designed to track volunteers who can assist in a disaster relief effort, the number of which can determine how much aid is disbursed by the Federal Emergency Management Agency (FEMA) (Eliseev, 2015). What is striking about this youth-led civic effort is that the three teens had no prior experience developing mobile apps and had spent time outside of the classroom to work on their project using the MIT App Inventor (Eliseev, 2015). The team working on the CERTPRO prototype later received a $17,000 award which includes the eCybermission's Stem-in-Action grant reserved for projects that may show significant real-world impact (Eliseev, 2015).

What Ushahidi has revealed is how flexibile open-source crowdmapping tools are in engaging ordinary citizens as volunteers in times of emergency as well as to gather the statistics needed to act upon chronic social problems from a more informed platform. Crowdmapping and crowdsourcing using mobile applications has also allowed citizens around the globe to create a vibrant social network for humanitarian assistance. Volunteers on the ground are able to work alongside virtual volunteers and experts for better tracking, reporting, and management of disaster relief. In the mobile era, every witness also has the power to act for social change. Mobile crowdmapping and crowdsourcing is opening a new era of participatory citizenship.

Civic Crowdfunding Initiatives and Entrepreneurship in the Mobile Age

Mobile activism and civic engagement has also permeated into the growing world of social entrepreneurship. Democratizing spaces through economic empowerment can help citizens to actively address socioeconomic inequalities in their communities and around the world. Take for instance the mobile app Babajob developed by social entrepreneur Sean Blagsvedt with the mission to provide workforce information to employers in Bangalore, India. With many citizens still without access to computers and the Internet, Blagsvedt is using cellphones, mobile apps, and cellular data to connect those in the informal work sector with potential jobs (PBS, 2014). While Babajob's initial advertising of its services was conducted via radio and offline methods including print ads and billboards their ultimate success occurred when they launched an Interactive Voice Response (IVR) application via mobile phone that jobseekers can use to access their services (Chang, 2016). According to Babajob's web site the organization has harnessed the power of mobile technologies to register more than 5 million individuals and raise $12 million in funding including from the United States Agency for International Development (USAID) and venture capital firm Gray Ghost Ventures (Babajob, 2015).

Likewise, social entrepreneurship efforts in Malawi have focused on improving access to healthcare and health-related information at the national level. One prominent pilot launched in 2011 was the health center by phone (chipatala cha pa foni) project, which was created to increase access to prenatal health services for mothers and their newborn children. The health center by phone service allowed mothers to connect with healthcare providers to get health information as well as receive appointment alerts via mobile phone (Innovations for MNCH, n.d.). The two-pronged approach to prenatal care -- that includes a toll-free information and referral phone number for mothers as well as a mobile-based appointment reminder alert system – is increasing the landscape of health services in Malawi, which currently has

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one of the highest global maternal and newborn mortality rates (Villagereach.com, 2016). The health center by phone pilot has had significant impact on maternal and newborn health in Malawi with more than 300,000 women and children benefiting from the service to date (Villagereach.com, 2016). The pilot affirms the growing field of mobile health as social entrepreneurs continue to harness the power of mobile networking and mobile apps to address issues of equity and access to life-saving healthcare services in places that once seemed underfunded and overburdened by lack of adequate resources.

Youth are also engaged in mobile activism as social entrepreneurs by acquiring coding skills, blending it with lessons in economics; a new generation of content creators and entrepreneurs for social change is on the rise. Wisenberg Brin (2013) note a feature in Entrepreneur magazine highlighting seventeen-year-old developer Nick D'Aloisio who released the mobile app, Summly, which provided news content in summarized format for more efficient browsing. Summly was subsequently bought by Yahoo for approximately $30 million. Four weeks after its initial release for iPhone it attracted over half a million users and published a prolific 30 million summaries (Wisenberg Brin, 2013). Successful teen mobile app makers like D'Aloisio not only inspire youth to start coding and developing apps at an early stage, but also pave the way for how individuals could create digital platforms that address real-life issues while at the same time generating income and developing a sustainable business.

Another example of a mobile app for social change is Recyclebank, where individuals are encouraged to recycle possessions that they don't need while earning points, getting discounts, or donating to a Green Schools program and funding environmentally-friendly student-led programs (Recyclebank.com, 2016). Launched as a pilot in 2004 by two Philadelphia based friends Recyclebank has increased recycling efforts in over 300 communities with 4 million participants using the app (Recyclebank.com, 2016). Recyclebank has also provided approximately half a million dollars to more than 150 schools under their Green School program in addition to donating 5% of the organization's profits towards school proposals that promote their vision of eco-friendly entrepreneurship (Recyclebank.com, 2016). By working with government run municipalities and encouraging citizens to participate in recycling programs with economic and savings-related benefits – or encouraging donations for social good – Recyclebank is promoting both justice-oriented and participatory citizenship in communities across the country.

Similarly, the Social Impact app developed by Rolfe Larson Associates identifies and lists local social enterprises and green businesses in the United States, Canada, United Kingdom, and Australia that citizens can support as conscious consumers. By geo-mapping business listings and allowing individuals to browse a range of local enterprises the Social Impact app is a civic crowdsourcing initiative that encourages citizens to financially support businesses that are aligned with their social justice passions (iTunes, 2016). The range of mobile crowdfunding initiatives launched by governments, organizations and youth is diverse and features efforts ranging from economic empowerment to green consumerism as well as activism to reduce socioeconomic inequities. The crowdfunding movement has only just begun and time will tell how vast the networks and platforms become and how wide-reaching their civic and social impact will be.

MOBILES AND DEMOCRATIC EDUCATION: FUTURE RESEARCH DIRECTIONS

While this analysis of using mobile technologies for democratic education focuses on the benefits of mobile apps, it is also critical to look at the nature of the technology itself and how the artifact's inherent design shapes our activities as human beings. The design of mobile technologies, from their portabil-

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ity to the social networking that can take place through apps, can be viewed as promoting democratic values of independence and self-expression. Winner (1986) asks us to consider evaluating the political nature of technologies. One may further describe smartphones and other similar mobile technologies as providing a more decentralized and egalitarian system, much like the Internet. When students use apps to collect viewpoints on a social issue, or design apps to promote citizen-based mobile journalism it can be argued that the accessibility of mobile technologies allows for a continuous form of democratic education in the sense that students remain engaged with the local environment in their dual role as trained experts and knowledge seekers. The learning is continuous and socially oriented, both within and outside of the school environment. In describing democratic education and self-publishing on the web, for example, Budin (2005) argues that while providing access to the Internet blogging tools may be an inevitable tools for democratic education, emphasizing that what is most relevant is what we do with the tools and how we use them. And as teens who have built apps for social change have shown to the world, mobile technologies can be compatible with democratic education and can empower individuals to become personally-responsible, participatory and justice-oriented citizens.

Rheingold (2008) would describe the work of the organizations highlighted in this chapter as using participatory media to engage individuals in a democratic society, and it is in line with the proposition of utilizing digital tools to help youth develop their own public voice. Similarly, Jenkins (2009) calls for the integration of these new participatory cultures into classrooms not only through team collaborations, but likewise through networks beyond school walls and across diverse communities. This chapter and case study of designing mobile technologies for social change is a call for schools and educators to embrace the power of mobiles and to integrate it with core curriculums across the humanities and science fields so that students can be active *producers* of both knowledge and democratic technologies.

CONCLUSION

While youth have demonstrated their personal interests by unleashing their own apps for good, and non-profits have partnered with schools to provide the resources and the curriculum for mobile app design in schools, educators in the digital age should hear this clarion call for blending mobile technologies with democratic education in the quest to provide a strong foundation for civic-minded citizens of the future.

As Warschauer (2004, p215) notes regarding the digital age that preceded the mobile era, the Internet is not simply a technology but also a platform and space that transforms social networks. This notion is equally relevant in the mobile age where cell phones have become not only the preferred tools of communication, but likewise tools of civic empowerment and engagement. Utilizing mobiles for social change need not only be defined at the micro and individual levels but also at the global, macro-level. Democratic education and the principles of participatory citizenship can be taught in schools and communities as well as through mobile applications that help individuals extend their virtual and physical networks to address social justice issues in various fields including media, healthcare, social entrepreneurship, humanitarian assistance and political governance. The use of mobile technologies comes with both challenges and opportunities. Allowing students to share their interest in these tools in the classroom also allows them to have the opportunity to address the challenges while experiencing a continuous learning environment that is not isolated from the greater democratic society -- this can encourage youth to aspire to contribute to society in their own way, their own voice, and with their own personally designed mobile tools.

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KEY TERMS AND DEFINITIONS

Civic Education: Education about how government and how self-governance works.

Civic Engagement: Active engagement as a citizen in local, state, or national issues and concerns for social change.

Democratic Education: A method of education where democratic values are taught as well as experienced within the instructional environment.

Justice-Oriented Citizen: A citizen that inquires about social justice issues by reflecting and acting upon structural issues to promote systemic change.

Mobile Activism: Addressing social justice issues through the utilization of mobile technologies through various means including dissemination of information, gathering of data, and promoting social networks to bring about social change.

Mobile Application: An application developed to typically run on smartphones and tablets.

Participatory Citizen: A citizen that is active at local, state, or national levels in addressing social issues relevant to the community by learning how government systems work and taking part in community-based initiatives.

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Chapter 34
Deploying ICT to Enhance Small Businesses and Achieving Sustainable Development:
A Paradigm to Reducing Poverty and Unemployment and Enhancing a Sustainable National Development in Nigeria

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ABSTRACT

Beside the SMEs, families operate small and fragmented businesses due to poverty and unemployment to help cater for their needs and family needs. These small and fragmented businesses are common among the poor due to lack of credit to expand such businesses. In addition, with the mandate from the federal government of Nigeria, every business must be registered with the Corporate Affairs Commission of the federal republic of Nigeria and pay a certain amount of money every year depending on level of business growth and development. Suffice to note that despite the payment of these charges by businesses, nothing is done by the federal government to assist them.

INTRODUCTION

In the past, less attention was given to SMEs development as the major contribution to GDP and sustenance of the economy was oil. Nevertheless, in recent years, due to high level of poverty, unemployment and the inability of the oil sector to meet the economic demand for national development, attention has been drawn towards SMEs development. It is very obvious that, in Nigeria, individuals and families, in trying to break out of the yoke of poverty and unemployment bewildering individuals and the nation indulge in one or more businesses or the other so as to meet individuals and family needs. These busi-

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ness are so fragmented and so small because of access to vital resources, there turnovers are so small that they can't be fitted into the micro and small enterprises categories of the nation, yet the businesses are so important to the various individuals and families in meeting their needs.

According to the Central Bank of Nigeria (1989) quoted by the Nigeria Vision 2020 (2009), small scale enterprises should have an annual turnover not exceeding 500,000 naira. In addition, in section 37 (2) of the Companies and Allied Matters Decree of 1990, small company should have at least annual turnover of 2 million naira. Ekpenyong & Nyong (1992) had used both limits to draw conclusion in classifying small scale enterprises- not lower than 500,000 naira and not higher than 2 million naira. However in a more recent classification, the Vision 2020 (2009) also provide its own small scale classification. Small scale enterprise should have employees between 10-49 and also have an asset of between 5-50 million naira. Howbeit, it seems the Vision 2020 perceived a wide gap of other businesses whose gap was farfetched from the small enterprise perspective, this brings about the micro enterprise. The micro enterprise, which a lower level than the small enterprise should have less than 10 employees and have assets not less than 5 million naira. This shows a higher upgrade than the limit provided by the Central Bank of Nigeria and the Companies and Allied Matters Decree. This could be due to the depreciating value of the naira and the Nigeria economy.

However, to an average Nigerian, living in a country with average poverty of 70% (NEEDS, 2006) and with approximately 24% of unemployment rate (although various sources have stated that in recent years it has reduced however, obviously the rate of unemployment has sky rocketed as one could notice in every nook and craning of the nation unemployed individuals and graduates rooming the streets with no jobs and searching for menial jobs just to keep living) and with no government support for its citizens, such annual return or turnover and asset based limit might be a mirage. Omiunu (2014) found that, average turnover of SMEs was 375,356 naira which is much more lower as compared to the 500,000 naira of the Central Bank of Nigeria of 1989 and also far from more recent standard of the vision 2020 (2009) which should have an asset of between 5-50 million naira for micro enterprises. This implies that most small businesses in Nigeria are far from achieving the annual turnover and the standard assets possession and may not be among the categories stated by the Central Bank of Nigeria, Companies and Allied Matters Decree and the Vision 2020. Thus, this category of businesses are not acknowledged and recognized in the Nigeria economy, yet they constitute a higher percentage but fragmented businesses of the businesses in Nigeria. Also of importance is their incapability to grow and reach other higher businesses levels in the economy.

This incapability has been caused by so many factors such as lack of planning, poor marketing strategies, lack of availability and accessibility to credit (Ekpenyong & Nyong, 1992); lack of finance and lack of business ethnics (Omiunu, 2014); shortage and inadequacy of financial institutions for SMEs support, high rate of collateral requirements and restriction of collateral to specific assets, lack of effective coordination mechanism to centralise information on possible sources of finance and other resources, misuse of government sources, concentration of finance sources in urban areas (UNEP, 2007); lack of infrastructural facilities, corruption, lack of awareness of necessary information for SMEs development among owners, lack of skills and training, cultural factors, lack of government policies that support SMEs (Apulu & Latham, 2009).

In addition, the lack of effective deployment of Information Communication Technology (ICT) could be another important factor. In addition, studies such as Croteau & Bergeran (2001), Laudon, Laudon & Dass (2006), Ajiferenu & Olatokun (2009), Omiunu (2014), among others have revealed the importance of ICT to business enterprises. However, Omiunu (2014) and Ajiferune & Olatokun (2009) among others

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have shown that business enterprises in Nigeria do not use ICT or use it at a low level to enhance their performance, and that the benefits of ICT are not experienced in their fullest by businesses in Nigeria. This scenario is worse among small business as Onugu (2005) affirmed that, small businesses mostly believed that innovations which include ICT innovation and use are for larger organizations. Major problems that a led to lack of deployment in ICT as stated by Onugu (2005) and Omiunu (2014) are ignorance of lack of awareness of ICT user to business, lack of skills high cost of ICT, credits electricity failure, lack of experience and competence in using ICT, among others. Also, of importance are the low of ICT and information literacy among business owners. From these, perceptible arguments, one can affirmed that, although ICT can benefit businesses, nevertheless, businesses in Nigeria are facing several challenges that are reducing their potential to deploy ICT and this would at the long run limit their performances. To this end, there is need to deploy strategies to make it possible for small business to deploy ICT and tap into the benefits it brings for enhanced development which include personal, business, community and national development.

Luftman (1996) and Gartlan & Shanks (2007) stated that deploying ICT by businesses is a function of business scope, distinctive, competencies business governance, administrative structure, administrative processes administrative skills, technological scope, systematic competencies, IT governance, IT architecture, IT processes and it skills. These twelve functions are important variables needed to be inculcated by businesses especially in developing countries with and ever changing and stochastic environment.

The Vision 2020 (2009) clearly states that, the micro enterprises are widely spread in Nigeria and are numerous, in most cases with time, they tend to develop into the small scale enterprises and may also with time develop into medium scale enterprise. In addition, this will create impetus and a multiplier effect on employment generation, poverty reduction and also national development.

It could also be important to note that, if attention is given and drawn to these small businesses which are not up to the micro and small enterprises by the governments and various private investors and organisations/agencies to train, mentor/monitor, develop and provide necessary resources such as financial resources, they may also develop into the micro and small business enterprises, thereby reducing poverty, increasing employment and also national development. Thus, achieving a sustainable development if well maintained and sustained. Thus far, in the Nigeria economy, achieving sustainable development in the SME sector has been a mirage as many programmes (such as Small Scale Industries Credit Scheme; Nigerian Bank for Commerce and Industries; Nigerian Industrial Development Bank; SME Apex Unit of Central Bank; National Economic Reconstruction Fund; Nigerian Export Import Bank; National Directorate of Employment; Industrial Development Co-ordinating Centre; Family Economic Advancement programmes, State Ministry Industries Equity Investment Scheme; Small and Medium Enterprises Developing Agency of Nigeria; Credit Guarantee Scheme for SMEs among others) that are been introduced and established by the federal, state and local government and other private agencies to enhance growth and development in the SME sector had not have lasting impact on businesses in this sector. Yet various researches still provided evidences of numerous problems and challenges militating businesses and reducing their potentials to grow and develop, living the small and fragmented business that could not meet up with the micro and small enterprises standards to their fate, thereby leading to increase poverty and unemployment and also influencing national development negatively (Hashim, 1999; Basil, 2005, Altenburg and Eckhardt, 2006; and Omiunu, 2014). To this end, this paper tends to provide a paradigm to reducing poverty and unemployment and enhancing national development through concentrating on and developing the small and fragmented businesses in Nigeria.

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LITERATURE REVIEW

Micro, Small, and Medium Enterprises and the National Economy

The impact of small and medium enterprises in the nation cannot be overemphasised. Micro small and medium enterprise has been a major sector in both developed and developing nations and can form the bedrock on which all activities are built and can also be the mainstay of any economy (UNEP, 2007). Mahmood & Hanafi (2013) states that, small and medium enterprises (SMEs) play an increasingly important role in the economic growth of most nations and are also important as a major source of employment and job creation for the nation's work force. Also, SMEs are known to represent over 90% of businesses in Africa, account for approximately 63% of employment and also contribute to over 50% of nation's employment and GDP. There had been an increasing recognition of SMEs as major tool for economic development, a chief source of employment, revenue generation, innovation and technological advancement in both developed and developing nations. Apulu & Latham (2009) have stated that, researches have shown that, SMEs play a major role in poverty alleviation, and also stimulate domestic and regional economic growth in both national and regional economies. In addition, Ongori (2009) in Apulu & Latham (2009) notes that, they can also help to diversify economic activities and are flexible to changing market demands.

In Nigeria, about 97% of the enterprises are SMEs and employ an average of 50% of the work force and contributes approximately 50% to its industrial output (Ihua, 2009). Okpara & Kumbiadis (2008) clearly states that, several nations including developing nations such as Nigeria have recognised the importance of SMEs and have formulated policies to encourage, support and fund them. He further outlines the various benefits that SMEs can bring to the economy. These include job creation, development of skill and semi skilled workers among others. Other benefits may also include providing experiences, skills and training for the nation's work force that could be needed by bigger companies and industries, poverty reduction, enhancing quality of lives among others.

SMEs and Sustainable Development in Nigeria

The concept of sustainable development has been approached from different perspectives. Although, it can be self defined without channelling it to the various sectors of the economy such as oil, agriculture, education, telecommunication among others, howbeit, other times, its definition becomes more meaningful when it is channelled towards these sectors in the economy. Sustainable development is defined as the development that is stable, endurable, and consistent (Omiunu, 2012).

The World Commission on Environment and Development (1987) states that, sustainable development has nine important objectives. These include: reviving growth; changing the quality of growth; meeting essential needs for jobs, food, energy, water, and sanitation; ensuring a sustainable level of population; conserving and enhancing the resource base; reorienting technology and managing risk; merging environmental considerations and economics in decision making; reorienting international economic relations; and making development more participatory. It will be unreasonable to try to neglect the important aspects of the definition of sustainable development provided by WCED (1987) with regards to SMEs development.

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ICT Deployment and Utilization Level by Small Business Development in Nigeria

Information Communication Technology deployment involves the way small businesses plan, manage and use ICT to benefit from its potential and effectiveness (Omiunu, 2014). ICT refers to technology such as computers, laptops mobile phones, internets, emails, wireless communication devices social network sites, flashes CD/VCD/DVD. etc. (Ministry of Economic Development, 2004). ICT is perceived as a tool that makes business activities easier (Van Akkeran & Harker, 2003) and can improve critical thinking, information handling skills, increase problem-solving capacity in businesses among owners (Branford et al., 2000). Van Akkeran and Harker (2003) outlined four stages in ICT deployment and use by businesses. These four stages include "no ICT", "basic ICT", "intermediate ICT" and "advanced ICT" adoption groups. Businesses that belong to the "no ICT" adoption group are businesses that do not use ICTs at all. The "basic ICT" groups are those businesses that have adopted ICTs such as internet for collecting information, use email or use latest phones such as the 3rd generation, 3G, among others. The "intermediate ICT" adoption group include businesses that have a basic or static website or information systems and are also engaged in electronic commerce. The "advanced ICT" adoption group are those businesses that conduct business-to-business transactions electronically, business-to-customers transactions and/or have any other complex ICT integration in their business processes.

Putting into consideration the study of the National Agency for Information and Communication Technologies (2008) that although there have been substantial efforts to increase the use if ICT especially by businesses however, the level of ICT mastery and use especially in Sub-Sahara Africa which Nigeria is a part is very low and poor. Also Omiunu (2014) found that, majority of businesses in Nigeria do not use ICT nevertheless, a few percentage (less than 40%) that used ICTs only use mobile phone for their businesses. Thus, majority of Nigerian businesses belong to the "No ICT" adoption group while the very few that use ICT belong to the 'basic ICT' adoption group. This situation is more ambiguous and severe for the small businesses in Nigeria.

It is expedient at this point to also draw attention to the fact that, if more businesses belonged to the "no ICT" adoption group and only a very few belong to the 'basic ICT" adoption group, then it is very impossible for these business to deploy businesses information strategy and management information system to enhance their business development. According to Durodoye (2005), business information strategy is a top dog between business strategy and information system strategy. This implies that business information comprises of two important variables, business strategy and information and communication system and strategy (Omiunu, 2014). Usually for a business to deploy and adapt an effective business information strategy, such must have passed the "No ICT" adoption stage, the "basic ICT" adoption stage, and must have passed to the "intermediate ICT" and "advanced ICT" adoption stage. This makes the state of ICT use by business in Nigeria infinitesimal and thus businesses in Nigeria could not stand their counterparts in other developed and/or developing countries. This at the long run may lead to under-development. In addition, SMEs in developing countries such as Nigeria are incapable to deploy business information strategies less the small business. To this end, it is important to pay cognizance to the deployment of ICT among businesses especially in developing countries such as Nigeria to enhance business growth and development and thus increasing the net possible outcome of the national Gross Domestic product.

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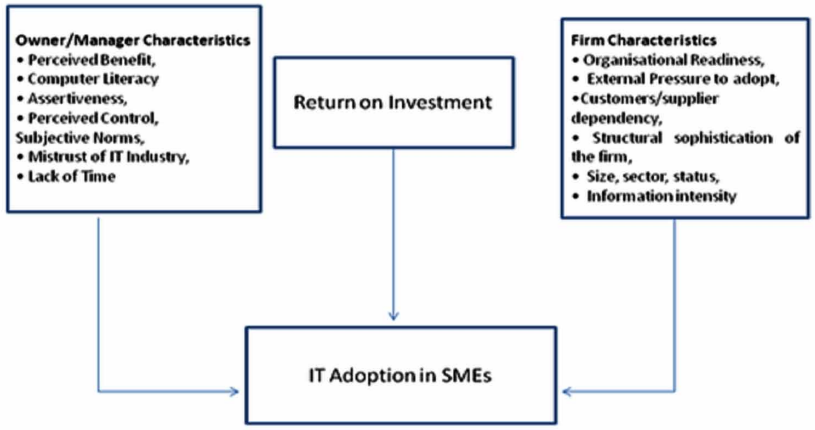
Challenges of ICT Use and Deployment in Nigeria

These barriers that the influence the successful implementation of ICTs in SMEs which could also include small businesses includes (Igbaria and Tan, 1997): the cost of ICTs—this is perhaps not so much of an issue these days (well, in developed countries anyway); lack of time to devote to the implementation and maintenance of ICT; a lack of ICTs knowledge combined with difficulty in finding useful, impartial advice; lack of use of external consultants and vendors; short-range management perspectives; a lack of understanding of the benefits that ICTs can provide and how to measure those benefits; and a lack of formal planning or control procedures. In addition to this, many SMEs are unaware of the potential of e-commerce to enhance their business; some SMEs occupy clearly defined (and small) niche markets that they are satisfied with; there are still perceptions of unresolved security and privacy issues related to use of the Internet; many SMEs lack the necessary skill base to engage in the digital economy; the perceived high initial and ongoing costs associated with ICTs and e-business can be seen as a barrier; and many SMEs cannot experiment with ICT investments like larger businesses. They need to be sure that there will be returns for the e-commerce investments they make. In addition, lack of understanding of the benefit of ICT by SMEs owners can also serve as barrier to ICT deployment and use (Apulu & Latham, 2009).

The drivers of ICT use are broad, as they are very important because they influence the tendency for SMEs to deploy and use ICTs. According to Thong, Yap & Raman (1997), they include: the involvement of owner/managers in the implementation of ICTs; the involvement of users (employees) in development and installation; the training of users; the use of disciplined planning methodologies in setting up applications; the number of analytical/strategic (versus transactional) applications being run; the level of ICTs expertise within the organisation; and the role of the external environment (especially consultants and vendors). Also, Mehrtens, Cragg, and Mills (2001) stated some other factors SMEs must identify to be able to use and deploy ICT. These are: Identifying perceived benefits, Organisational readiness and dealing and coping with external pressure. In addition, of importance to ICT deployment and use in an SME is the owner/managers perception and exposure, the location of the business, the differences between industries and employee skill levels and training.

According to Van Akkeren & Cavaye (1999) in Manueli, Latu & Koh (2007), the factors that influence IT adoption are divided into three: Owners/managers characteristics, firms; characteristics and the

Figure 1. Factors affecting ICT adoption by SMEs



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firms return on investment. The firm/business characteristics include: the organisation's ICT readiness; external pressure to adopt; customer/supplier dependency; structural sophistication of the business; size, sector and status; and its information intensity. The business's ICT readiness refers to its current level of technology use in its business processes. Little or no technology use reflects low ICT readiness and a strong reluctance for ICT adoption. External pressure may come from suppliers and/or customers for ICT adoption. Consequently, customer/supplier dependency may arise from the external pressure, whereby a small business tows the line to ensure its continuous survival. The structural sophistication of the firm/business refers to its ability to incorporate ICT into its existing business processes.

A complex structure may encourage ICT adoption because ICT is perceived as a tool for making work easier, whereas a simple structure may not readily adopt ICT because of the perception that everything is working smoothly and there is no need to change it. The size, sector and status of a firm/business influence its ICT adoption. If competitors, suppliers, customers in a certain sector have adopted ICT, a firm/business is inclined to do so because are already in it. Finally, the level of information intensity within the firm/business can be a contributing factor for ICT adoption. For example, if a firm/business handles large amounts of information, it is most likely that ICT adoption will be undertaken to improve its efficiencies (Van Akkeren and Harker, 2003 in Manueli, Latu & Koh (2007).

Also, Windrum and de Berranger (2002), in his own view outlined the contributing factors that influence ICT adoption and that these can be categorised into five major clusters that include: the business characteristics; business action; system characteristic; internal expertise; and external expertise. Business characteristics such as size, determines the business structure that in turn strongly influence the business's ICT uptake. Small businesses have simple business structures when compared to larger businesses and have less internal requirements for extensive communication technologies. Small businesses communicate and store smaller volumes of information and as a result far lesser need to use ICT.

Typically, business action is driven from the top management. In this case, if the business owner or top management establishes appropriate ICT goals, identifies critical ICT business needs, and allocates financial resources then ICT adoption is possible. For small businesses, age and the experience of the owner strongly influences ICT adoption. System characteristics within a business assist in ICT adoption. For instance, small businesses with a large number of administrative applications readily support management control, operational control and administration. In addition, access to ICT expertise within a business and externally is another contributing factors to ICT adoption. If the business owner or employees are ICT literate, there is a strong tendency to adopt ICT for business processes. In the event that they face difficulties, the availability of external expert will provide support and motivation to succeed (Windrum and de Berranger, 2002 in Manueli, Latu & Koh 2007).

How ICT Can Affect Small Business Development in Nigeria

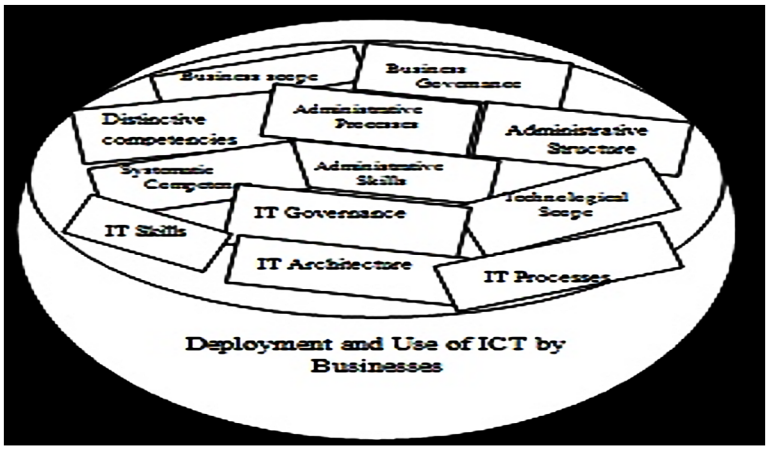
Studies such as Croteau & Bergeran (2001), Laudon, Laudon & Dass (2006) Ajiferenu & Olatokun (2009), Omiunu (2014), among others have revealed the importance of ICT to business enterprises. However, Omiunu (2014) and Ajiferune & Olatokun (2009) among others have shown that the use of ICT by business enterprises in Nigeria is low where many businesses do not use it at all and that the benefits of ICT are not experienced in their fullest by businesses in Nigeria. This scenario is worse among small business as Onugu (2005) affirmed, businesses in Nigeria believed that such innovations which include ICT innovation and use is for larger organizations.

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Major problems that led to the lack of deployment of ICT as stated by Onugu (2005) and Omiunu (2014) are ignorance or lack of awareness of ICT use to business, lack of skills, high cost of ICT, credits, electricity failure, lack of experience and competence in using ICT, among others. From these perceptible arguments, one can affirmed that, although ICT can benefit businesses nevertheless, businesses in Nigeria are facing several challenges that are reducing their potential to deploy and use ICT and this would at the long run limit their performances. To this end, there is need to addressing these challenges and make it possible for small business to deploy and use ICT thereby are able to tap into the benefits it brings for enhanced development which include personal, business, community and national development. Luftman 1996 and Gartlan & Shanks (2007) state that deploying ICT by businesses is a function of business scope, distinctive competencies business governance, administrative structure, administrative processes administrative skills, technological scope, systematic competencies, IT governance, IT architecture, IT processes and it skills. Thus one can come up with the following nested relationship between the deployment/use of ICT and Businesses characteristics. These can be represented in Figure 2.

Putting into cognizance the studies of Luftman 1996 and Gartlan & Shanks (2007) that deploying ICT by businesses is a function of business scope, distinctive competencies business governance, administrative structure, administrative processes administrative skills, technological scope, systematic competencies, IT governance, IT architecture, IT processes and it skills; and of the problems faced by small businesses in Nigeria, it can be noted that making businesses enjoy the benefits that ICT brings in Nigeria would involves providing resources and materials for businesses by governments and other interested agencies such as non-government organisations and international organisations with regard to their businesses function thus, achieving development that can be sustainable at the long run. This is because a certain ICT of benefit to one type or category of business may not fit well into another type of business.

Figure 2. A nested relationship between the deployment/use of ICT and Businesses characteristics
Source: The Author (A Re-visitation on Luftman (1996) and Gartlan & Shanks (2007) of ICT Deployment by Businesses).



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Challenges and Problems Militating Small Businesses Growth and Development in Nigeria

Despite SMEs significant role in the economy, studies have detected various problems militating against their growth and development. From early to recent studies, there are proofs of the undying problems and challenges facing SMEs especially in developing countries such as Nigeria. Despite the continuous effort of the government and other interested organisations, SMEs are still plagued by high failure rates and poor performance levels despite their recognition as major contributor to nations' economy. These problems seem perennial as one observes their trends, dynamics and elastic spread of setbacks they cause on SMEs.

Hashim (1999) had earlier discovered that the recurring problems of SMEs included a lack of capital and credit facilities; shortage of skilled workers and raw materials; inadequate infrastructure; lack of managerial, marketing and technical expertise; and limited applications of new technology. In addition, external environmental factors, such as fast changing technology, competition, economics, socio-cultural and international factors also have a significant effect on the success and failure of SMEs.

The Liberal feminist theory by Fischer et al. (1993) suggests that SMEs run by women exhibit poorer performances than those run by men because women are overtly discriminated against (by lenders, for example) and/or because of other systematic factors that deprive women of important resources (for example: business education and experience). By way of contrast, social feminist theory (Fischer et al. 1993) suggests that men and women are inherently different due to differences in their early and ongoing socialization. Nevertheless, these differences do not imply that women will be less effective in business than men, but only that they may adopt different approaches which may, or may not, be equally as effective as the approaches adopted by men (Watson, 2003).

Attention has also been expanded into other variables affecting SMEs performances and growth. Moorthy, Tan, Choo, Wei, Ping, and Leong (2012) outlined factors that can influence growth and performance of SMEs. They include lack of effective entrepreneurship in the nation, bad human resource management lack of the use of or no marketing information, and lack or low level of application of IT. In addition to this, Neneh & van Zyl (2012) also outlined problems faced by SMEs. They include lack of planning, improper financing, poor management, lack of skilled labour, brain drain, unavailability of financial skills, lack of performance analyses of business operations and incompetent senior managers. Studies have also revealed that, another major challenge to SMEs is gender inequality to access to vital resources which are important to their development. Other problems may also include poor knowledge and information consciousness culture among SMEs owners, poor reading culture, poor or bad regard for information, lack of awareness of the importance of information to SMEs development, poor information environment, among others. Omiunu (2014) found that, infrastructural problems such as electricity failure, faulty machines, among others, lack of skills, experience and competence, network problems, lack of credit, economic meltdown, etc. are major problems facing businesses in Nigeria.

The Increased Nigeria Population Trap

It is not a story that Nigeria has a population of 140,003,542, which most often has been approximated to 150 million, with male population of 71,709,859 and a female population of

68,293,683 (Nigeria Population Census, 2006). Also, the Nigeria population is placed at an average growth rate of 3.3%, and known to be the fastest growing population especially in Africa (Daily News,

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Sunday, August 05, 2012 in Omiunu, 2014). According to Omiunu (2014), with this estimate in mind, the Nigeria population was 88,992,201 in 1991 (NPC, 1991), increased to 140,003,542 in 2006 (NPC, 2006) by 51,111,341, which shows a 57.4% increase of the Nigerian population of 1991. However, the estimate of the Nigeria population by the Federal Ministry of Agriculture and Natural Resources (1997), was that, by 2013, Nigerian population will double the 1991 population with the growth rate increase of 3.2% assumed, which will show a 100% increase from 1991-2013. However, there is no accurate data for the recent data of Nigerian population because of the fact that census count is done every ten years and the next census in Nigeria would be in 2016.

However, according to estimate, the Nigerian population would produce an estimated population of 177,984,402 at 2013 and this would have increased by 2015. In addition, there is a 7-year lag between 2006 to 2013 compared with the 15-year lag between 1991-2006. This implies that, between 2006-2013, an addition of 37,980,860 average would be added to the Nigerian 2006 population of 140,003,542 to give a total of approximately 177,984,402. Although, looking at the population growth rate and dynamics, by 2013, the Nigeria population might even be greater than the assumed forecasted 177,984,402 (Omiunu, 2014). However, with the advent of child reduction and spacing may put the figure between ±177,984,402. This high population will also have significant effect on the resource allocation which also include the use of ICT and the access to resources (such as ICT) to maintain livelihood and thus will increase competition of resources (which may also include in businesses) where it would be the survival of the fittest. This however poses a big problem to the sectoral and national development.

Poverty and Unemployment: The Two Great Monsters of National (Nigerian) Development

With a geometric progression of the Nigerian population, the two great monsters for national development are poverty and unemployment. Economic stagnation, deepening poverty and weakening human development are known to be major problems of Sub-Sahara Africa which Nigeria is part and there have been progress in governance and regional collaboration, and concerted international endeavours to achieve sustainable development in this region (Aboderin, 2005). These features are pivotal in shaping the policy developments and emerging challenges for to achieving sustainable development in the region (Aboderin, 2005). In addition, poverty is been felt and has been a major issue in both rural and urban areas (Heeks, 2009). In addition, Heeks (2009) stated that for any problem especially in developing countries, It is the poor who are suffered it the most. And, of course, they suffer from that other blot on the world's conscience – poverty – with more than half the global population living on less than two US dollars per day. Alexander (2014) stated that in Nigeria, over 75% of the citizens are living below 1 dollar per day while the microscopic few kleptocrats living in corridor of power cart away our money in billions of dollars

According to United Nations Development Programme (UNDP) (2002; 2004) and the Commission for Africa (CfA) (2005), over the last decade, economic growth in most of sub-Saharan Africa including Nigeria did not outstrip the increase in its population. In contrast to all other developing world regions (which have seen drastic improvements in their fortunes in recent times), therefore, sub-Saharan Africa ended the Millennium poorer than it was in 1990. Also, 23 countries in the region are now poorer than they were in 1975. Today, over 50% of sub-Saharan Africa's inhabitants live under $1 per day which also include Nigeria, the great majority under $2, and it is globally the only region where the proportion of people living in poverty is expected to grow with their drastic geometrically increasing population.

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This has for a long time has effect and impetus of the development of this region and thus the sustainable development.

Poverty is a condition characterized by severe deprivation of basic human needs including food, safe drinking water, sanitation facilities, health, shelter, education and information (World Summit for Social Development, 1995). It includes people who earn and spend less than one US Dollars per Day and it is lack of, or inadequate access to social services (Agba, Ushie, Bassey & Agba 2009). Nigeria over the past five decades has embarked on various health, economic, educational, political, cultural and social reforms that are either home initiated or as a response to international agreed on poverty reduction. Despite government efforts, the incidence of poverty in Nigeria has been galloping since the 1980s (Agba et al, 2009). Statistics shows that poverty level on Nigeria move from 28.1 percent in 1980 to 46.3 percent in 1985; it escalated to 65.6 percent in 1996 and 71.3 percent in 2005 (Central Bank of Nigeria, 2005; Onyeagba, 2008). According to Agba, Ocheni and Nkpoyen (2014), stated that plethora of literature continue to show that over 70 percent of Nigerians live on less than one US Dollar per day only better than Mali 73 percent, compared to Ghana 45 percent and Brazil 8 percent. In 2002 according to Ekong (2003), NEEDS (2006), Vision 2020 (2009), over 70 percent of Nigerians were still living below the international poverty line despite government's multiple poverty alleviation programmes. Till date, this data of over 70% poverty level in Nigeria has not changed and thus, gives birth to other monsters of development such as unemployment. Alexander (2014) added that critically looking at Nigeria, malnutrition, poverty, illiteracy, diseases, and joblessness (unemployment) are still prevalent which proves Nigeria is an underdeveloped nation.

Unemployment covers persons (aged 15–64) who during the reference period were currently available for work, actively seeking for work but were without work. A person is regarded as employed if he/she is engaged in the production of goods and services, thereby contributing to the Gross Domestic Product (GDP) in a legitimate manner, which is a component of the national accounts and receives any form or amount of compensation for that activity (National Bureau of Statistics, 2015). The category of persons considered not in the labour force include those not between 15-64 (economic active population) as well as those within the economically active population (15-64 years), who are unable to work, not actively seeking for work or choose not to work and/or are not available for work.

When one conceptualizes the effect and burden of this population on the economic, one will realize that the nation's dependency ratio is high. Dependency ratio refers to the number of population of a nation who are not working, are unemployed and are not able to work to contribute their quota to national development, therefore these sets of people depend on any actively unemployed person. This is why nations and developmental indices use the per capita income to measure poverty- which is the ratio of the total income of any household divided by the number of persons in such household. In developing countries such as Nigeria, dependency ratio is very high and perfectly elastic.

Alexander (2014) stated that in Nigeria, over one million unemployed youths are readily applying for jobs where less than five thousand people are needed. The country is in the verge of revolution which undoubtedly will be triggered by this terrible economic menace called unemployment. It has been stated that unemployment is one of the most critical socio-economic problems facing Nigeria (Atufe, Okojie, Echenim, Ogunmola and Bello, 2014). According to the National Bureau of Statistics (NBS), the unemployment rate in Nigeria increased to 23.90 per cent in 2011 from 21.10 per cent in 2010 while the unemployment rate averaged 14.60 percent from 2006 until 2011, reaching an all time high of 23.90 percent in 2011 and a record low of 5.30 per cent in 2006 (Atufe et al., 2014).

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Unemployment also has social consequences as it increases the rate of crime. School graduates consist of the principal fraction of the unemployed accounting for nearly 35 per cent to 50 per cent of the unemployed group. The rate of unemployment within the age group of 20 to 24 years is 40 per cent and between 15 to 19 years it is 31 per cent. The statement by Comrade Issa Aremu, vice president, Nigeria Labour Congress (NLC) and General Secretary, Textile Workers' union, Federal Republic of Nigeria that with 50 per cent unemployment, Nigeria is not just seating on time bombs but as we can see the bombs are exploding in scores through murderous insurgencies (Alexander, 2014) shows that the level of unemployment in Nigeria has reached climax where it can destroy the Nigerian economy. Therefore, there is need to address poverty and unemployment in Nigeria to enhance development which include individual, community and national development.

THEORETICAL UNDERPINNING

Restriction of Opportunities Theory of Poverty (ROTP) was introduced Appadurai (2004) and Chakravarti (2006) developed upon it. ROTP posit that poverty is caused by unstable environmental conditions and lack of social and economic capital. Lack of social and economic capital can be lack of small business development because it is a social and economic activity that requires social and economic capital. Restriction of Opportunities Theory of Poverty emphasized the influence of human environment on people's daily lives; and since people's lives are condition by their environment, the individual's daily decisions/actions are dependent upon what is present or what is not in the environment (Agba et al. 2014). As the poor continue to navigate within the environment of poverty, they develop fluency within the environment, but a near illiterate in the larger society or environment (Chakravarti, 2006).

Lack of capacities, such as include the development of small businesses among household families could cause an individual to enter the environment of poverty. This implies that, an individual who is poor lack adequate capacities with which to change his/her position (Agba et al. 2014). The capacity to inspire is paramount in this regard; the individual through social interactions develops aspirations that would change his/her socio-economic environment. It suggests that, a person's aspiration is conditioned by his/her environment. It therefore holds that, the better one is placed in his/her environment, the more chances he/she has to not only aspire but to fulfill his/her aspiration (Appadurai, 2004).

ROTP posit that the capacity to aspire required practice in a stable environment and that the environment of poverty is unstable with a high prevalence of unemployment. The unstable life of poverty as defined by unstable environment, often limits the poor's aspiration to basic necessities of life such as food, cloth and shelter; and this reinforces lowered aspiration levels and could significantly obstruct change of environment or condition (Agba et al. 2014). It implies that the way out of poverty is to expand the aspiration horizon of the poor such as given attention to the small businesses they are involved in and helping to grow such businesses through then deployment and use of ICT, to escape the reinforcement that perpetuate the poor in the environment of poverty. It entails creating programmes or making policies that provide the poor and household small businesses with an arena that enables he/she to practice and boost his/her aspiration. It includes designing schemes that enables the poor to meet his/her basic needs; and motivate him/her to higher aspirations (Appadurai, 2004; Chakravarti, 2006).

This Restriction of Opportunities Theory of Poverty differs from the neoclassical growth model proposed by Solow (1956) which argues that low capital cannot explain underdevelopment and contends that the particular set of institutions in an economy does not matter. This position rests on three points:

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(a) outcomes are determined by fundamental forces (reflecting resources, preferences, and technology), (b) these forces lead to Pareto-efficient outcomes, and (c) institutions do not even influence the choice of the equilibrium. Solow (1956) also stated that it is government impediments to markets (such as small businesses or SMEs) that prevent the economy from working smoothly. However, such theories are inherently unsatisfactory and in most versions, the government failures are assumed to be exogenous, leaving unexplained why they should be larger in some societies than in others and why some other institutions should come to play to stabilize the economy.

The theory of Solow (1956) may have to be re-worked to fit into the environment of Nigeria- bringing together the government, the people and other institutions that may be interested in developing small businesses in Nigeria. For example, apart from government failures, market failures in other institutions such as the banks, SMEs, telecommunications, among others are pervasive, especially in developing countries and these can affect the economy (e.g. Stiglitz, 1989; Floro and Yotopoulos, 1991 and Hoff, Braverman and Stiglitz, 1993). This was why Omiunu (2012) noted that theories imbibed into new environment such as developing economies) are like square pegs in round holes until they are reshaped to fit in such holes (developmental plans and strategies). Although, technology deployment in Solow (1956) is important, however, ICT deployment should be done in a way that such ICT introduced could fit in the business activities and could be useful to such businesses both at the short and long run. Therefore, theoretical work that focused on institutional issues and the scope for policy in development attempted to identify specific institutional characteristics of developing countries such as related to SMEs and small business among the poor and unemployed and incorporated them as features of models are of interest to development theories (Hoff and Stiglitz, 2000).

Also, of importance is the Endogenous growth or the new growth theory which emerged in the 1990s to explain the poor performance of many less developed countries thus can be used to explain sectoral poor performance also. Unlike the Solow model that considers technological change as an exogenous factor, the new growth model notes that technological change has not been equal nor has it been exogenously transmitted in most developing countries (World Bank, 2000). The new growth theorists such as Romer (1986), Lucas (1988), Aghion and Howitt (1992), among others linked the technological change to the production of knowledge thus making it endogenous. Such knowledge can be an enhancer of development among households small business. The new growth theory emphasizes that economic growth results from increasing returns to the use of knowledge (which could include both tacit and explicit) in addition to labour and capital. The theory argues that the higher rate of returns as expected in the Solow model is greatly eroded by lower levels of complementary investments in human capital (education which include conducting training and workshops), infrastructure such as ICT, or research and development (R&D). Meanwhile, knowledge is different from other economic goods because of its possibility to grow boundlessly. Knowledge or ICT innovation can be reused at zero additional cost. Investments in knowledge creation therefore can bring about sustained growth in SMEs and small business among households. Moreover, the knowledge could create the spillover benefits to other firms once they obtained the knowledge.

Bringing in the "Big Push" theory of Rosenstein-Rodan (1943), until there is need in a particular market system, the need to produce a product for the population does not arise. To this end, there have been continuous needs to give attention to reducing poverty and unemployment and also enhance small business development thus, the "Big Push" theory.

Also, with regards to the framework of National Economic Empowerment Development Strategies (NEEDS) (2006), it focuses on four key strategies: reorienting values; reducing poverty; creating wealth,

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and generating employment. NEEDS is about the Nigerian people: their welfare, health, employment, education, political power, physical security, and empowerment.

NEEDS gives special support to all types of businesses such as agriculture, industry, small and medium-scale enterprises, and oil and gas. Under the plan, the government will seek long-term capital for investment. NEEDS strategy consists of:

- **Empowering People:** By allowing the private sector to thrive which include small business of the poor people operating in a fragmented and small form, NEEDS creates opportunities for employment and wealth creation. It empowers people to take advantage of these opportunities by creating a system of incentives that reward hard work and punish corruption, by investing in education, and by providing special programmes for the most vulnerable members of society. This could cut across providing ICT for various businesses and organizing workshop training for them on how they can deploy ICT to enhance their business productivity.
- **Promoting Private Enterprise:** The private sector will be the engine of economic growth under needs. It will be the executor, investor, and manager of businesses. The government will play the role of enabler, facilitator, and regulator, helping the private sector grow, create jobs, and generate wealth. Deregulation and liberalization will diminish governmental control and attract private sector investment.
- **Changing the Way the Government Does Its Work:** NEEDS aims to restructure the government to make it smaller, stronger, better skilled, and more efficient at delivering essential services. It seeks to transform the government from a haven of corruption to an institution that spurs development and serves the people. The number of government jobs will decline, and the cost of running the government will fall dramatically, as in-kind benefits for civil servants, such as subsidized housing, transport, and utilities, are monetized. Reforms and regulations will be implemented to ensure greater transparency and accountability, and corrupt practices will be outlawed. Government activities and budgeting will be informed by a framework that connects policy with government income and expenditure.

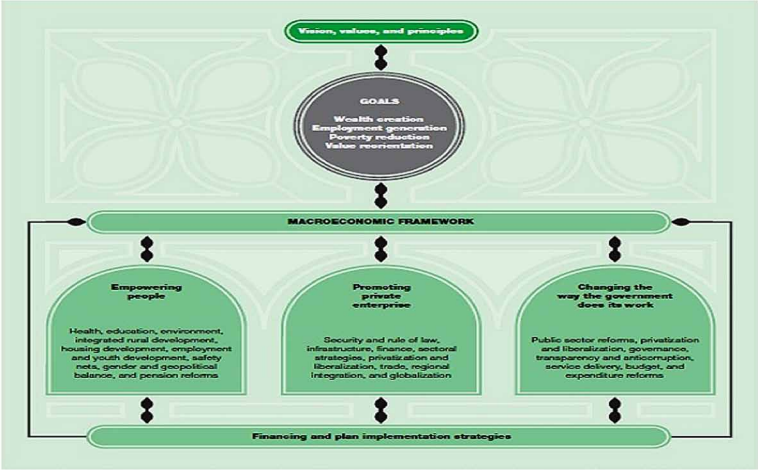
The NEEDS document articulates the strong commitment of the federal government to a programme of collaboration with and strengthening of the private sector. Therefore, the NEEDS aims to alter the strategy for industrial development and make it less import- dependent, more local resource - based and more related to local research and development, particularly in the area of small medium enterprises (SMEs). Economic empowerment of indigenous SME businesses which include small businesses through patronage of their products by improved tendering and procurement processes that stipulates minimum levels of local content would be encouraged.

Developing Small Businesses to Achieving Sustainable Development

Small businesses are less able to address weaknesses in the investment climate and also in their environment as they have less competitive advantage over the larger ones. Attentions have been placed on small, medium and large business enterprises and have been drawn away from the minute or smaller businesses in the nation. This has caused a lot of damaged to those smaller and minute businesses. Of the strategies to develop the small, medium and large business enterprises in Nigeria, they are still plagued by so many problems, less the smaller businesses.

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Figure 3. NEEDS at a glance
Source: NEEDS (2006).



Onugu (2005) had revealed that, only 5% of SMEs survived and between 20-25 struggled to survive within the first five years of their initiation. It shows that, approximately 95% of SMEs were either between struggling to survive or dead. This would be more conceptualize when one noticed that, as great as the potential of SMEs are to contribute to national development, only 5% of SMEs survived and nothing are being done for the 95% to be revived and stand. In addition, the smaller businesses are not given attention to fill in the gap of the potential dead SMEs in the nation. Major reasons for the inability for the dead of SMEs and the inability for small businesses to be able to grow to fill in the gaps of the dead SMEs can also be attributed to lack of capital and credit facilities; shortage of skilled workers and raw materials; inadequate infrastructure; lack of managerial, marketing and technical expertise; and limited applications of new technology which also include major ICTs that could enhance their growth and productivity as provided by Hashim (1999) in early study. This is a tragedy scenario and if not tackled will eventually lead to increase in unemployment, poverty and draw back in the national development. This is because the dependency ratio of the population of Nigeria will increase as their source of income which is either the SMEs or the smaller businesses are gone.

To tackle this problem, it is necessary for attentions to be drawn to both the approximately 95% of the either struggling to survive or dead SMEs and the smaller business which do not have access to resources to develop themselves or metamorphose to SMEs as they grow. Rather they are been limited by various problems which, could also be the same problems militating against the dead or surviving SMEs but could be in a higher dimension because of their little capability to pave way for growth and development in the face of all these challenges.

Drawing attention to smaller businesses could be a vital tool to achieving and enhancing sustainable development in Nigeria. If sustainable development has been defined as the development that is stable, endurable, and consistent, it revealed that, various developmental programmes that has been embarked on by governments and other private agencies had not been sustainable because of the consistent and perennial problems and challenges militating against SMEs including small businesses in Nigeria. In addition, in view of the World Commission on Environment and Development's (1987) definition of sustainable development, important aspect in respect to SMEs development are the reviving growth

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(which could be reviving the growth and development of SMEs which also include small businesses in the nation); changing the quality of growth (this could also be the transition of the fragmented smaller businesses into the micro, small and medium enterprises in the Nigerian economy); meeting essential needs for jobs, food, energy, water, and sanitation (thereby reducing unemployment, poverty levels and providing infrastructures for the use and development of these smaller businesses); ensuring a sustainable level of population (this could be sustaining the level of smaller business population in the country so as not cause easy exit out of the businesses by putting higher pressure, demand, standard and criteria on this businesses that they cannot meet, however encouraging increase in their population); conserving and enhancing the resource base (this could cut across the human and natural resource base of the nation made available for SMEs); reorienting technology and managing risk, merging environmental considerations and economics in decision making, reorienting international economic relations and making development more participatory (that will be conducive for and influence positively SMEs development in the nation).

In addition, in respect to business enterprises, sustainable development refers to the adoption of business strategies and activities that meet the needs of the enterprise (the SMEs sector) and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future (International Institute for Sustainable Development, 1992). Stakeholders in this context refer to shareholders, lenders, customers, employees, suppliers, and communities who are affected by the business's or organisation's activities.

Using ICT to Enhance Small Business Development to Address Poverty and Unemployment Issues in Nigeria

Heeks (2009) affirmed that poverty is the mother to invention and innovation. The epidemics of poverty have made various governments and international bodies to collaborate to curtailing its effect on the populace and the development of such nation such as Nigeria. In Nigeria, to enhance SMEs development, reduce poverty and unemployment, various strategies and agencies have been instituted such as include Small and Medium Enterprises Development Agency (SMEDAN), National Economic Summit Group (NESG), National Association of Small-Scale Industrialists (NASSI), Manufacturers Association of Nigeria (MAN), Small Scale Industries Credit Scheme (SSICS) 1971), Nigerian Bank for Commerce and Industries (NBCI) (1973), Nigerian Industrial Development Bank (NIDB) (1964), SME Apex Unit of Central Bank (1989), National Economic Reconstruction Fund (NERFUND) (1989), The African Development Bank/ Export Stimulation Loan (ADB/ESL) (1989), Nigerian Export Import Bank (NEXIM), National Directorate of Employment (NDE), Industrial Development Co-ordinating Centre (IDDC), Community Banks, People's Bank, Family Economic Advancement Programme (FEAP), State Ministry of Industry SME Schemes, Small and Medium Industries Equity Investment Scheme (SMIEIS), Bank of Industry (BOI), Credit Guarantee Scheme for SMEs, among others. Others include Operation Feed the Nation (OFN). National Directorate of Employment, The Family Support Programme (FSP), The national poverty eradication programme (NAPEP), The Youth Empowerment Scheme (YES), National Economic Reconstruction Fund (NERFUND), among others (Emmanuel and Daniya, 2012). However, despite all these developmental plans and strategies to ameliorate poverty, unemployment and also enhance SMEs growth and development, studies such as Onugu (2005), and Altenburg and Eckhardt (2006), Agba et al. (2014), Alexander (2014), Atufe et al. (2014) still revealed that the level of poverty, unemployment are still high and SMEs are still facing considerable challenges militating against their

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growth and development, thus development in this sector has not been achieved. This could be worse among the small businesses in Nigeria.

It showed that much still need to be done and attention need to be drawn to small businesses to fill in the gap of dead SMEs which according to Onugu (2005) that, only 5% of SMEs survived and between 20-25 struggled to survive and 75% died within the first five years of their initiation which implied that approximately 95% of SMEs were either between struggling to survive or dead. If nothing is done to revive this 95%, and nothing is done for the small neglected businesses in the economy especially among the poor, and unemployed thus, one can affirm that the statement of the time bomb issue by Comrade Issa Aremu, vice president, Nigeria Labour Congress (NLC) and General Secretary, Textile Workers' union, Federal Republic of Nigeria as stated by Alexander (2014) is not far-reached in Nigeria.

In addition, to fill in this gap, there is need to deploy ICT for businesses which include the SMEs and these small businesses. Heeks (2009), added that ICTs can be deployed to deliver information and services that might address poverty, health, education and gender equality – the four areas that form the bulk of the Millennium Development Goals (MDGs). In addition, Omiunu (2014) has stated that ICT can also be deployed and used to enhance the performance, growth and development of businesses which include small businesses in Nigeria. Thus, the neglect of ICT may further aggravate the present problems of SMEs and small businesses in the Nigerian economy because these business cannot compete with international businesses and standards from developed economies such as the UK, US, Japan, among others. To this end, ICT deployment and innovations can be a source of emergence from the long time confusion and problems of poverty, unemployment and problems militating against SMEs including small businesses in Nigeria.

Drawing attention to small business to addressing the issue of poverty and unemployment through the help of ICT is of paramount importance. This could be achieved by the following strategy below:

According to Sofowora (2009), the assumption of the Nigerian government is that if there is a conducive environment for business to thrive and when the people are empowered (which in this context may include empowerment with respect to business development), to take the advantages of the new opportunities, then poverty and unemployment problem will be curtailed in the nation. Mchombu and Mchombu (2014) stated that sustainable development is a very important factor in the provision of information and knowledge support for poverty eradication. Talisayon and Suministrado (2008) noted that the sustainability movement which began in 1992 concluded that sustainability depends on preservation and enhancement of three forms of capital: social capital (which include community cohesiveness and trust, relationships, local values and local support system); natural capital (which refers to the natural environment), and economic and financial capital (which refers to economic benefits, participation and control and ownership).

Talisayon and Suministrado (2008) argue that successful knowledge for poverty alleviation interventions should make use of both the tangible and intangible assets found in a poor community. To this end, Omiunu (2012) affirmed that sustainable development should be participatory, people centred, and Mchombu and Mchombu (2014) added that such development should be in line with what the community already has in the form of financial, human, social and physical and natural assets and structures which affect livelihoods of the dwellers. Suffice to note that most of the livelihoods of Nigerians are small and minute businesses due to their incapability to raise capital and the lack of capital to enrich their businesses. To this end, any sustainable development plan coming from the government to enhance small businesses such as the deployment and use of ICT must match the kind of businesses they do which could include subsistence farming, provisions, stores including medical stores, fish farming, snacks and

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drinks, salon which include hair and barbing salon, tailoring, sales of food items, canteens, and other consumables, shoes, clothes, and jewelries, and other telecommunication-like small businesses such as sales of recharge cards, phone repair, electricians, computer operators, typesetting and engineering, graphic designs, photo editing, photocopies, etc. It is also expedient to draw attention to the major fact that most of these businesses operate is a very small and minute scale and do not have capital to grow their businesses.

Therefore, to enhance their sustainability and growth, it is expedient to take a complete census of these businesses and then have a database for them, and deploy and provide ICTs that can help them to maximize their sales and growth. According to FAO (2006) and Mchombu and Mchombu (2014) stated that to achieve sustainable developments in businesses which include small and family businesses, governments and other responsible bodies which include national and international should give attention to these five categories of assets or capital:

- **Natural Capital:** Access to land and to other resources such ICT resources to allow people to invest in productive processes.
- **Social Capital:** Relations among people are shaped by histories of interactions which regulate further interaction, including their understanding of their rights over national resources.
- **Human Capital:** Development and poverty eradication requires good health, nutrition and access to medicine, among others. Moreover, development require skills and knowledge, which are in short supply when access to and information or other ICTs is weak or non-existent.
- **Financial Capital:** People need money to make long-term investments and also to acquire some resources such as ICT and other infrastructure that may be helpful for their businesses but access to financing is often problematic for Nigerians mostly for those who live in rural and remote areas. Most commercial banks will not lend money without collateral.
- **Physical (Built) Capital:** Buildings, roads and tools provide the security, mobility and capability that allow people to produce, transform, exchange and consume goods.

Each one of these dimensions has an information and knowledge implication and can use ICT to enhance their achievement. For example, for social capital- enable knowledge sharing; human capital which refers to capacity to acquire and absorb knowledge; and financial capital which is a frequent constraint in development situations where the poorest do not have sufficient information and no or low availability of financial resources thus, unable to utilize the limited collateral at their disposal. To this end, ICT can be provided by the government and other various bodies (nationally and internationally based) interested in the development of businesses among the poor either for free or for a subsidized price. First, to achieve this, the government has to have all businesses at local, state and federal level at its database. The corporate affair commission could be deployed and registered businesses with this federal government organization should be used to obtain the information of various businesses. In addition, year in-year out, these various businesses pay a certain amount to the federal government, it won't be a gain saying to state that the government should try to use part of this money also to provide such ICT that could be of benefit to these businesses in Nigeria.

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CONCLUSION AND RECOMMENDATION

To ensure the developing of smaller business and achieving sustainable development, it has been revealed that attention should be drawn to them providing for them access to resources that will enhance their potential to grow and develop to becoming micro, small, medium and even large business enterprises so as to reduce poverty, increase employment and enhance sustainable development in Nigeria. In addition, the following recommendations would be of importance from this study:

1. Various governments at all tiers should be encouraged and involved in conducting research that will benefit both the SMEs and smaller businesses in Nigeria. Such researcher will outlined the needs of SMEs and smaller businesses in Nigeria through owners oriented study and such needs should be directed to them to enhance their growth and development.
2. Governments should increase the access of private agencies to support small business either within or outside the country so as to enhance their growth and development.
3. Programmes and workshop to provide skills, training and mentoring and monitoring services (consultancy services) should be geared by the governments and various private agencies to enhance the growth, performance and development of small businesses in Nigeria.
4. The provision of grants for business development should be encouraged by governments and other private agencies interested in their development and reward entrepreneur in Nigeria.
5. Organisational body spread in all round the state, local and federation should be instituted and established which can be a vital point of access for help for small business owners. This may be controlled by either government or private agencies.
6. Also, of importance is the provision of loan by banks with a reduced interest rate and provision with very little or no collateral and access to loan by smaller business owners to help them develop.
7. In addition, access to information and various information system should be design for smaller businesses and even the SMEs to ensure that, they tap into the benefits of ICT to developing their businesses and also enhancing the Nigeria economy when those information and information system are been used.
8. Also, the federal government can use some of the money paid in by various businesses to provide ICTs for them with regard to their activities. This could boost commitment from the side of the business owners to be faithful in paying taxes and other dues.
9. Infrastructural problems in Nigeria should be addressed by the federal government so as to enhance SMEs growth, development and performance, because small business development is highly dependent on infrastructure availability.

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KEY TERMS AND DEFINITIONS

ICT: Tools that can be used to enhance the various activities of small business to enhance productivity in businesses.

Poor: Individuals in the society or economy who are deprived from the resources of the nation and are not able to meet up with the demands of the society.

Poverty: The lack of resources to meet the demands of life and the society by individuals in the economy.

Small Businesses: Business that do not fall into the category of Small and medium enterprises but are operated as fragments in the economy and are mostly owned by the poor in the society.

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Small Business Development: The development that is geared towards small businesses in the economy to enhance their productivity and development in the long run.

Sustainable Development: The development that is geared to enhancing the livelihood and wellbeing of the poor in the economy and which could be sustained over time.

Sustainable National Development: The development that is geared towards the enhancement of individuals in the economy and which would also enhance the development of the nation and such development should be sustainable over time.

Unemployment: The inability of individuals to be able to get a job or such individual is living without a job.

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Chapter 35
Corruption, Business Climate, and Economic Growth

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ABSTRACT

Corruption is globally pervasive. Defined as abuse of entrusted power for private gain (Transparency International, 2013), corruption represents a set of economic, social, cultural, and political practices that are secretive and rooted in greed, ambition, or quest for power. This chapter reviews causes of corruption including the macro- and micro-level determinants of corruption such as leadership, management, and organizational culture. Various subjective and objective measures of corruption are discussed. Transparency International's Corruption Perception Index (CPI) and Heritage Foundation's Economic Freedom Index (EFI) are reviewed. The World Bank's Business Environment and Enterprise Performance Survey (BEEPS), Doing Business Indicator (DBI), and World Bank Institute's Governance Indicator (WBI-GI) are also reviewed, as is the role of global anti-corruption agencies and various instruments. Additionally, the relationship between corruption and foreign domestic investment, economic growth, and economic and political institutions are considered, as are anti-corruption intervention strategies for corruption and business ethics training.

INTRODUCTION

Corruption is pervasive globally and represents a set of economic, social, cultural, and political practices that are secretive and rooted in greed, ambition, or quest for power. These practices occur in government institutions, non-profit organizations, multi-national corporations, and private businesses (Kaufmann & Vicente, 2011). Some of these practices include bribery, embezzlement, money laundering, abuse of entrusted power, trading influence, and diverting organizational funds or property for personal gain. Other corrupt practices include avoiding taxes, skirting the law, financial fraud, insider trading, money laundering, manipulating the system using legal loopholes, nepotism, and discrimination. Some examples of the political corruption include voter fraud, political finance, political payback and retribution. Cor-

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ruption is a very large global 'underground industry' in both emerging economies with high growth rates and developed economies with relatively small growth rates.

Corruption is defined as abuse of entrusted power for private gain (Transparency International, 2013). The abuse of power, secret dealings, and bribery continue to ravage societies around the world. An international survey of 114,000 respondents in 107 countries revealed that more than one in four people (27%) reported having paid a bribe in the last 12 months (Global Corruption Barometer, 2013). The scale of corruption varies significantly from country to country. While many developing countries face the challenge of addressing systemic corruption, some emerging economies, in fact, have lower levels of corruption than some wealthy countries (Kaufmann, 2013).

Corruption is not a victimless transaction as the victims of corruption are outside the parties who participate in a corrupt act and benefit from it. Corruption is associated with increased income inequality in a country, and may be viewed as unreported white-collar crime that is often considered a way of doing business. The World Bank estimates approximately US$1 trillion is paid in bribes each year around the world, representing 5% of world Gross Domestic Product (GDP). This estimate of annual worldwide bribery does not include the extent of embezzlement or 'leakage' of public funds. Corruption is equivalent to a 20% tax on foreign investors (World Bank, 2013). The African Union estimates the African continent loses 25% of GDP to corrupt practices.

A study on the causal relationship between economic growth and corruption in 42 developing countries concludes that adequate institutional facilities must be in place in developing economies to reduce losses from corruption especially within and after periods of economic growth (Wright & Craigwell, 2013). The business sector grows significantly faster where corruption is lower and property rights and rule of law are safeguarded. Good governance and anti-corruption measures lead to an improved investment climate and business environment. Both the public and private sectors have responsibility in improving investment climate since they interface each other (World Bank, 2013).

This chapter reviews causes of corruption including the macro- and micro-level determinants of corruption such as leadership, management, and organizational culture. Various subjective and objective measures of corruption are discussed. Transparency International's Corruption Perception Index (CPI) and Heritage Foundation's Economic Freedom Index (EFI) are reviewed. The World Bank's "Business Environment and Enterprise Performance Survey (BEEPS)", "Doing Business Indicator (DBI)" and "World Bank Institute's Governance Indicator (WBI-GI)" are also reviewed, as is the role of global anti-corruption agencies and various instruments. Additionally, the relationship between corruption and foreign domestic investment, economic growth, and economic and political institutions are considered, as are anti-corruption intervention strategies for corruption and business ethics training.

CAUSES OF CORRUPTION

Corruption is a social and cultural transaction between at least two parties motivated by rational calculations of individual gain (David, 2010). Once it reaches a critical mass point, corruption spreads like a virus and gets entrenched in an institution and spreads to other institutions within a country. One must understand corruption in the context of the national culture and the individuals involved in the corrupt act. Corruption affects public institutions and private businesses in all countries to varying degrees. Some practices are illegal in one country but can be perfectly legal in another country. These practices

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are motivated by ambition, success, and/or economic gain. Bribing government officials appears to be an inevitable ritual for business leaders operating globally, especially in many developing countries.

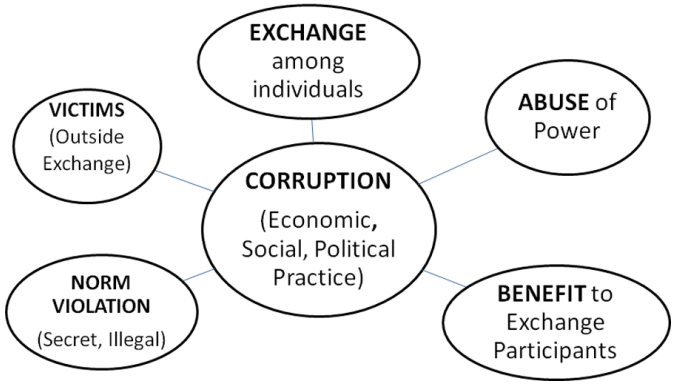
People are 'social animals' embedded in their relationships and networks in the organizations. An otherwise honest citizen, investor, bidder, or a firm may act in a corrupt manner due to the belief that their competitors are doing it and the probability of getting caught is low. The investigation into the United Nations oil-for-food program suggests that more than half of the 4,500 companies involved in the program paid illegal surcharges and kickbacks to Saddam Hussein. Some of the implicated companies avoided corruption in their own country where the level of corruption was low. However, in a different context, the same companies decided to engage in corrupt practices (Hoge, 2005).

The shared social perception about corruption in a given country determines the incidence of corruption. Internationally, business practices in many countries are in direct conflict with laws and regulations in other countries which makes it difficult for multi-nationals to conduct business. Corruption has emerged as an "institution" in many emerging economies as it becomes a part of the local culture and has a strong negative influence on the business climate. Anti-corruption measures should reduce the gain and increase the cost of the illegal and harmful act of the violation of public trust (Ackermann, 1999, 2004).

Corruption affects public institutions and private businesses in all countries to varying degrees, involves abusing the organizational position or power for personal gain (Triesman, 2000), and is not an individual phenomenon. One must understand corruption in the context of the individuals involved in the corrupt act as it represents social, political, and economic practices involving a secretive exchange resulting in mutual benefit. The exchange occurs by mutual agreement and for mutual benefit (Rabl & Kuhlmann, 2008; Park, 2003; Ashforth & Anand, 2003). The benefit can be economic, social influence, or political advantage. Corruption is not a victimless crime or transaction. The victims of corruption are outside the parties who participate in a corrupt act. Corruption may be viewed as unreported white-collar crime that is often considered a way of doing business, but it is an immoral/criminal proactive practice whose victims are always outside the exchange group. Since the exchange often violates moral, ethical and/or legal norms (Van Duyne, 2001), the practice of corruption is mostly hidden or secretive. Figure 1 illustrates a conceptual framework for corruption.

The macro-level determinants of corruption include economics, culture, history, and political systems. The micro-level of causes of corruption includes the structural variables in organizations including leadership styles and organizational culture. The management in an organization is directed towards processes

Figure 1. Conceptual framework for corruption



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and the leadership towards people (Davenport & Harding, 2010). Managers and leaders communicate desirable values and act as role models to the employees. The managers' reputation for integrity has an impact on the likelihood of corruption in an organization. An inconsistency between organizations' declared values and its managers' actual behavior may result in corrupt behavior and inferior performance by the employees (Carvajal, 1999). Corruption becomes normalized in an organization through the processes of socialization, rationalization, and institutionalization. Leaders and mangers do not have to actively engage in corruption, but they can reinforce the culture of corruption by ignoring corruption or otherwise facilitating unethical behavior (Ashforth & Anand, 2003).

Moralists and behaviorists view corruption as an immoral individual phenomenon which manifests itself in "selfish and improper" conduct of individuals (Gould, 1991). The incidence of corruption in organizations is related to low ethical standards and insufficient professionalism (Tanzi, 1988). However, corruption is not an individual phenomenon. One has to understand corruption in the context of the individuals and organizations involved in the corrupt act. Individual characteristics alone are not sufficient to account for a person's deviant behavior. It has been suggested that such behavior is partly induced by the unfair treatment the employees experience in the organization by the unethical actions of supervisors (Biron, 2010). Management's unjust actions and /or decisions may result in counterproductive behavior on the part of employees (Sauser, 2007). The social choices are shaped, mediated, and channeled by institutional arrangements (Powell & DiMaggio, 1991). Normative systems in organizations play a key role in generating criminal activity. They may even cause deviant behavior in those who would act in a socially acceptable manner in other types of setting (Apel & Paternoster, 2009).

Various aspects of organizational culture have the potential to facilitate corruption in an organization. A formalistic approach towards corruption does not help employees to make decisions about what constitutes corruption and corrupt decisions can be a 'grey area' for employees and management. The understanding of corruption depends on the social class to which an employee belongs (Collier, 2002). The formal code of ethics itself does not prevent management and employees to engage in corrupt practices. Complex, excessive, and ambiguous regulations that allow multiple interpretations may encourage the use of position for personal gain. They encourage discretion over the rule of law and weak legal systems can be a source and consequence of corruption simultaneously (Jain, 2001). Laws that are inconsistent with prevailing morals may create pressure on employees and management to enforce them selectively. The notion that the corrupt act does not break any law or harm anyone perpetuates the practice. Managing ethical problems through legal instruments alone is not very effective. Along with legal instruments, organizational expectations regarding acceptable and unacceptable behavior have to be communicated (Gorta, 1998). Along with legal sanctions, a change in organizational culture is necessary to ensure to reduce corruption.

Corruption represents both legal and illegal abuse of public office or entrusted power for private gain (Bardhan, 1997; Kaufmann, 2005). Examples of these include the exchange of legal political contribution for the passage of legislation favoring specific firms and exchange of public-sector procurement for private sector jobs. Many developing countries face illegal corruption in a context of high social inequality and low income. The motivation for corruption in poor countries is to increase income. The relative power of the general population in challenging the elite's corruption practice is low due to large income inequality. However, the elite are forced out of power once the frustration of the population reaches a tipping point. Income inequality in many developed nations is low, but the elite-built legal defenses lead to legal corruption that burdens the poor disproportionately and increases the income disparity. The motivation for legal corruption may be to maintain status quo for the elite. Low political accountability

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in many rich countries can lead to legal corruption in the context of private firms lobbying the government for legislation favoring specific firms. Nordic countries, in general, have low corruption due to emphasis on rule of law and egalitarian attitudes. Higher accountability determines the lower levels of legal corruption in more equal and richer societies.

Political economy model of legal and illegal corruption (Kaufman & Vicente, 2011; Vicente, 2007) considers both public and private sectors together responsible for corruption. Society represents a collection of elite public official, general population, and private agents. The elite may build a legal framework to protect their own the conduct of corruption. The public officials and private agents compete with the general population regarding allocation of goods. Corruption transaction occurs when a public official allocates a good to the private agent who competes with the general population. Corruption is also present when the private agent allocates a good to the public official who competes with the population. Bribery is the simple case of having money as the good allocated by the private agent. The rent at stake in these allocations is divided in some manner between the public official and the private agent. The political economy model of corruption suggests three types of outcomes regarding corruption. First is illegal corruption in which the elite do not face any binding incentives to limit corruption. Second is legal corruption in which the elite must incur a cost to legally protect corruption. The third outcome represents a case where the population is able to effectively react to corruption leading to no corruption (Kaufman & Vicente, 2011; Ackermann, 2004; Danon, 2010). Transparency, accountability, and the rule of law in dealing with corrupt government officials and politicians can lead to improved CPI ranking, induce investment, and foster economic growth (Nageri et al., 2013).

Based on the relationship between wealth and power, four distinctive syndromes of corruption have been suggested in Asian economies: "influence markets", "elite cartels", "oligarchs and clans", and "official mogul". Japan is an example of influence markets where the powerful private interests buy influence over specific policy outcomes. Korea represents the "elite cartels" where collusion and corrupt incentives enable elites to cooperate in governing, enriching themselves and resisting political competition. The Philippines represent the oligarchs and clan type of corruption where powerful families dominate the weak state. China experiences the "official mogul" type of corruption where state officials abuse power with impunity (Johnston, 2008).

MEASURES OF CORRUPTION

Since corruption is hidden and illegal, it is difficult to quantify. Surveys are often used to measure the level of perceived corruption but may not necessarily reflect the actual degree of corruption (Pederson & Johannsen, 2006). The respondents may overestimate due to hearsay, latest scandals, and a general mistrust of politicians and administrators alike (Rose & Mishler, 2007). If the survey questions ask about first-hand experience of corruption, it may underestimate the level of corruption as the respondents will refrain from reporting their own involvement despite anonymity.

Corruption can be measured subjectively based on perceptions or objectively based on convictions. The objective measures of corruption include the use of reports from anti-corruption agencies (Spector et al., 2005), press reports (Rehren, 1997) and court conviction records (Della Porta & Vannucci, 1999; Hill, 2003). The validity and reliability of these published data is questionable due to the possibility of bias in the press reports, political manipulation, and possible corruption in judiciary.

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Subjective perception of corruption is not the same as actual corruption. The subjective measures include perception-based and participation-based. A second subjective measure of corruption concentrates on people's direct experience with or participation in corruption in terms of victimization index (Saligson, 2006). The victimization index focuses on the observed behavior of people involved in actual corruption. This is different from the perception of corruption based on peoples' beliefs. A weak correlation has been observed between the perception of corruption and actual corruption (Morrris, 2008).

CORRUPTION PERCEPTIONS INDEX (CPI)

First launched in 1995, cross-national data on subjective corruption perceptions index by Transparency International has been widely credited with putting the systemic issue of corruption on the international policy agenda (CPI, TI, 2013). Transparency International is a non-governmental organization that monitors and publicizes corporate and political corruption in international development. Transparency International data is a subjective measure of perceived corruption based on people's beliefs about the nature of the system.

The Corruption Perceptions Index ranks 177 countries and territories based on how corrupt their public sector is perceived to be on a scale of 0 - 100, where 0 means that a country is perceived as highly corrupt and 100 means it is perceived as very clean. A country's rank indicates its position relative to the other countries and territories included in the index. No country has a perfect score, and two-thirds of all countries score below 50. This indicates a serious, worldwide corruption problem. Denmark and New Zealand lead the world with the highest score of 91. The USA and Uruguay both placed 19th in the world with a score of 73. China and India score 40 and 36, respectively (Transparency International, 2013). The CPI ratings of select nations around the world represent undeveloped, developing, and developed economies (Table 1).

CORRUPTION AND ECONOMIC FREEDOM INDEX

The Heritage Foundation (2014) reports the Economic Freedom Index (EFI) based on 10 quantitative and qualitative factors, grouped into four broad categories, or pillars, of economic freedom for 186 countries. They include rule of law (property rights, freedom from corruption); limited government (fiscal freedom, government spending); regulatory efficiency (business freedom, labor freedom, monetary freedom) and open markets (trade freedom, investment freedom. Each of the 10 economic freedoms within these categories is graded on a scale of 0 to 100. Averaging these 10 economic freedoms, with equal weight being given to each, derives a country's overall score. The index of economic freedom is a measure of the fundamentals of economic growth. Hong Kong leads the world with a score of 90.1, followed by Singapore (89.4), Australia (82.0), Switzerland (81.6), New Zealand (81.2), and Canada (80.2). The USA is ranked 12th with a score of 75.5.

Table 1 compares the corruption score from the Economic Freedom Index and (EFI) and Corruption Perception Index (CPI). Economic Freedom Index (EFI) documents the positive relationship between economic freedom and a variety of positive social and economic goals. EFI is strongly associated with prosperity, healthier societies, cleaner environments, greater per capita wealth, human development, democracy, and poverty elimination. In an economically free society, individuals are free to work, produce,

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Table 1. 2013 Corruption Perception Index (CPI), GDP Growth Rate Economic ** Freedom Index (EFI) # and corruption score within EFI#*

#	COUNTRY	2013 CPI SCORE*	GDP GROWTH RATE**	2014 ECONOMIC FREEDOM INDEX (EFI)	2014 CORRUPTION SCORE WITHIN EFI
1	Denmark	91	1.1	76.1	93.7
2	New Zealand	91	3.9	81.2	94.0
3	Australia	81	3.07	82.0	87.7
4	Canada	81	2.42	80.2	87.7
4	USA	73	2.63	75.5	72.0
5	Uruguay	73	4.3	69.3	70.6
6	United Arab Emirates	69	3.4	71.4	66.4
7	Taiwan	61	3.58	73.9	59.7
8	Malaysia	50	5.3	69.6	44.3
9	Turkey	50	3.6	64.9	44.0
10	Brazil	42	4.19	56.9	37.9
11	China	40	7.7	52.5	35.0
12	Philippines	36	5.69	60.1	26.1
13	India	36	6.11	55.7	31.5
14	Argentina	34	3.9	44.6	29.5
15	Mexico	34	4.1	66.8	29.7
16	Indonesia	32	6.3	58.5	28.0
17	Russia	28	3.46	51.9	22.1
18	Iraq	16	8.1	n/a	n/a

*Transparency International (2013)

**United Nations Global Economic Outlook Database, http://www.un.org/en/development/desa/policy/proj_link/global_economic_outlook.shtl

Economic Freedom Index (EFI), Heritage Foundation, www.heritage.org

consume, and invest in any way they please. In economically free societies, governments allow labor, capital, and goods to move freely and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself. Economic freedom brings greater prosperity. Correlations between economic freedom, globalization, corruption and GDP were determined for 114 countries.

CORRUPTION AND "DOING BUSINESS INDICATOR"

Engaging in corrupt practices also creates a very unfavorable business environment by encouraging unfair advantage and anti-competitive practices. Paying off government officials appears to be an inevitable ritual for business leaders operating globally, especially in many developing countries. The World Bank collects data on "Doing Business" by measuring business regulations. The Doing Business project provides objective measures of business regulations for local firms in 189 economies and selected cities at the sub national level (Doing Business, 2014; World Bank, 2014). The report examines five areas as

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measured by Doing Business: starting a business, dealing with construction permits, registering property, enforcing contracts, and trading across borders.

The ease of doing business indicator ranks economies from 1 to 189. Rank of 1 represents the regulatory environment that is most conducive to doing business. The index ranks the simple average of the country's percentile rankings on 10 topics covered in the World Bank's Doing Business project (World Bank, 2013). The ranking on each topic is the simple average of the percentile rankings on its component indicators. The ranking for ease of doing business is similar to that for corruption perception index. For ease of doing business, the ranking for New Zealand (3), Denmark (5), China (96), and India (134) is similar to the ranking for the corruption perception index (CPI) for New Zealand (91), Denmark (91), China (40), and India (36). Note that the high score for CPI represents less corruption whereas the small score for Doing Business means less regulation.

CORRUPTION AND "BEEPS"

The Business Environment and Enterprise Performance Survey (BEEPS) provides firm-level data on a broad range of issues about the business environment and performance of firms including business-government relations, firm financing, labor, infrastructure, informal payments and corruption, and other topics such as training and innovation. The Business and Enterprise Environment Survey (BEEPS) addresses the corruption at the firm and country levels. It was designed to assess the quality of governance across 20 countries of Central and Eastern Europe and the former Soviet Union from a firm level perspective (Hellman, et al. 2000). The BEEPS asks 200-600 firms in each country questions about their business environment and their interactions with the state. The samples are chosen in a uniform way in each country, with sector composition divided according to contribution to GDP. The BEEPS can be thought of as a compilation of indicators about what firms are saying about the ways that government policies, rules, and procedures are implemented in practice.

The BEEPS allows one to explore the relationship between different characteristics of firms (such as ownership, control, size, sector, etc.) and their effects on the firms' interactions with the state. Second, it provides an opportunity to investigate in depth the types of "services" for which firms pay bribes and the characteristics of these transactions. Third, it provides a micro-economic perspective on the costs and benefits to firms associated with corruption and different levels of governance.

The firm-level perspective provides one of the first opportunities to analyze empirically the problem of "state capture"; that is, the efforts of firms to shape and influence the underlying rules of the game (i.e., legislation, laws, rules, and decrees) through private payments to public officials. There has been analysis of how firms in the transition economies use their political influence to distort both the legal framework and the policymaking process in an effort to gain concentrated rents with detrimental consequences for the economy and society at large. The BEEPS provides the first opportunity to explore empirically the methods and mechanisms by which firms seek to influence the state, providing a new perspective on the phenomenon of state capture in the region and opening insights into larger questions of the political economy of reform.

The BEEPS is not just a corruption survey. Although corruption is one of the topics covered by the questionnaire, many other aspects of the business environment and enterprise performance are also present, including: crime, regulations and red tape, customs and taxes, labor issues, firm financing, legal and judicial issues, infrastructure, etc. To place matters in perspective, of the more than 400 variables

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in the BEEPS dataset, fewer than 25 pertain to corruption, unofficial payments, or tax evasion which represents less than 7% of the database.

"Doing Business" and BEEPS often suggest the same conclusions. In countries where the results do not seem congruent, there are many possible explanations. Firms may have found ways to work around problematic regulations so that they are less burdensome; conversely, the formal rules and procedures may appear benign, while non-transparent implementation may cause firms considerable difficulty. In addition, improvements captured in the Doing Business indicators may take time to be recognized by the business community. For example, reductions in the minimum capital requirements to start a company will not help the firms already in existence. Preparatory work conducted on the basis of previous surveys and within the framework of the recent cooperation agreement between United Nations Office on Drug and Crime (UNODC) has produced a questionnaire and methodology for international standardized "Crime and Corruption Business Surveys" (CCBS). The questionnaire addresses bribery/ corruption, fraud, extortion and several forms of crime, which impact on business and industry.

CORRUPTION AND WORLD BANK INSTITUTE GOVERNANCE INDEX

There is a tremendous amount of overlap between the questionnaires used in the BEEPS and the ones used in Investment Climate Surveys (ICS). The participation of the World Bank's Investment Climate Unit in the BEEPS helped to enhance cross-regional comparability of results. There are, however, differences in the sampling approach used in the ICS which tend to focus on manufacturing firms.

The BEEPS is different from the World Bank Institute's Governance Indicator (WBI-GI) and Transparency International's Corruption Perception Index (CPI). Aggregate governance indicators, such as WBI-GI and TI-CPI, attempt to take various forms of existing indicators (expert opinions and surveys) and merge them together into a single index (In the case of WBI-GI, six indexes.) Neither WBI's indicators nor the TI-CPI is an original source of data as they are both essentially compilations and manipulations of other indicators. These indexes are popular among researchers because they cover hundreds of countries and have been useful for raising the profile of corruption and governance issues. The BEEPS, in contrast, is an original source of data that offers several useful features not found in aggregate indicators: The aggregate indicators employ different combinations of indicators in different countries. In contrast, the BEEPS apply a common yardstick to country comparisons.

Neither WBI's indicators nor Transparency International's Corruption Perception Index (CPI) allows for examination of changes over time, although they are often improperly used for this purpose. The WBI indicators are scaled to have a mean of zero every year, and the TI-CPI focuses only on relative ranks. The TI-CPI uses data up to three years old, and both TI-CPI and the WBI indicators offer heavy weight to expert opinions which tend to be adjusted infrequently. The WBI indicators generally do not reuse identical data, although the 2002 round of the BEEPS was included in both the 2002 and 2004 sets of WBI indicators. BEEPS, in contrast, allows for simple statistical checks for changes over time using techniques that have been around for some 80 years.

Aggregates such as WBI's indicators and the TI-CPI lump everything together as "corruption" or "control of corruption." In contrast, the BEEPS allows for an examination of different types of corruption, how much, how frequent, to which sorts of government officials, etc. The BEEPS also allow an examination of which firms are most impacted.

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Business regulatory environment indicator assesses the extent to which the legal, regulatory, and policy environments help or hinder private businesses in investing, creating jobs, and becoming more productive. Countries are rated from 1 to 6 (World Bank Group, CPIA database).

IMPACT OF CORRUPTION ON FOREIGN DOMESTIC INVESTMENT (FDI)

Foreign domestic investment (FDI) and local domestic investment (LDI) are necessary for economic development of a country. FDI refers to the economic investment coming from abroad and is influenced by several economic and political variables of the host country. These include the size of the economy (GDP), GDP/capita, GDP growth rate, export orientation, political stability, inflation rate, and fiscal strength of a country (Habib & Zurawicki, 2001). In the short-term, corruption can have a beneficial effect for FDI since the corruption allows the businesses to get started quickly by paying bribes and bypassing the institutional and regulatory framework. However, corruption has a negative effect on FDI in the long-term. The corruption promotes arbitrariness and facilitates bypassing the regulations. This represents an uncertainty for the new foreign businesses and reduces FDI (Tanzi, 1998). In addition to FDI, local direct investment (LDI) is also necessary for economic development. The uncertainty in the business climate due to corruption affects both FDI and LDI negatively. However, FDI is affected more than LDI since the local investors are better informed regarding the 'voluntary tax' due to corruption (Habib & Zurawicki, 2001). Thus, in the long run, the level of FDI and economic development are lowered by the presence of corruption in the host country.

In addition to lowering the FDI, corruption in the host country changes the nature of technology transfer. When corruption is high, the foreign partner in the joint ventures limits the technology transfer to low technology goods and services (Smarzynska & Wei, 2000). A decline in corruption of 1% led to a 20% increase in FDI per capita for the 117 countries studied. Foreign investors prefer institutional stability and good governance to corruption (Al Sadig, 2009).

The relationship between corruption and FDI inflow works both ways. Corruption facilitates FDI inflow and FDI inflows cause an increase in corruption. The massive FDI influx in Ecuador was followed by a 13% increase in corruption since a simultaneous establishment of regulations and controls did not occur. However, in Estonia a gradual increase in FDI was accompanied by a gradual drop in corruption where new institutions, regulations and controls were put in place to manage the incoming new business (Robertson & Watson, 2004; Danon, 2010). A power law functional dependence was found between FDI and corruption perception index, CPI. In other words, FDI increase as CPI increased or FDI increased for less corrupt countries (Podobnik et al., 2008).

IMPACT OF CORRUPTION ON ECONOMIC GROWTH

The effect of corruption on the economy of a nation is influenced by four factors simultaneously including: unobserved country specific fixed effects, endogeneity of corruption and investment, the persistence of growth, and differences in how the corruption market is organized (Swaleheen, 2011). The first factor is time-invariant heterogeneity among countries in terms of religion, culture, and institutions. Cross-country differences in corruption (Treisman, 2000) and rate of growth (Islam, 1995) are influenced by

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this time-invariant heterogeneity. The second factor is that the corruption and investment for economic growth are endogenously or internally determined for a country and are correlated with exogenous or external shocks that affect the rate of economic growth. Third, as a variable, the current rate of economic growth is correlated with its own lagged value. The fourth factor is related to the corruption level in a country and how the corruption participants are organized (Swaleheen, 2011).

In studying effect of corruption on economic growth, three factors are crucial. These include political stability, property rights, and the political system. The interplay between these three institutional factors determines whether the institutional environment hampers or fosters growth. Removing a distortion does not automatically increase economic growth and corruption is considered a distortion. Removing corruption does not automatically increase economic growth. Corruption affects the relationship between institutions and growth. Efforts to eliminate corruption can lead to political instability since corruption serves as a positive function to hold the society together. When property rights are not strong, corruption may become a positive element to reduce uncertainty and facilitate investment and production (Vaal & Ebben, 2011).

Human capital is considered the engine of economic growth. In the presence of corruption, firms must spend resources on business facilitation which reduces the resources available for developing human capital. This leads to lower economic growth (Kaufman & Wei, 2000). The growth reducing effect of corruption is larger in countries with a low level of human capital; typically low income countries (Ehrlich & Lui, 1999). The opponents of the growth-reducing view of corruption argue that corruption weakens the restrictions on output by greasing the wheels of the government for firms burdened by controls. Therefore, corruption is growth enhancing (Nye, 1989).

The country wealth is negatively associated with corruption (i.e., richer countries are less corrupt) (Svensoon, 2005). The corruption perception index (CPI) is positively related to GDP per capita growth rates. In other words, less corrupt countries show higher growth rates. For all countries in the world during the period 1999-2004, an increase in one unit of CPI (i.e., a decrease in corruption) led to an increase of GDP per capita growth rate increase of 1.7%. For European countries with transition economies, an increase in CPI by one unit delivered an increase in GDP per capita growth rate of 2.4% (Podobnik et al., 2008).

The role of corruption is different in a democratic system and a totalitarian system. Corruption is a distortion misusing resources and infects economic agent's incentives. Corruption is decentralized in a democratic political system and is detrimental to economic growth since it does not reduce uncertainty. In a totalitarian government, corruption is centralized and removes the uncertainty. In a totalitarian system, corruption can be conducive to economic growth (Vaal & Ebben, 2011). Corruption slows down the long-term growth through a wide range of channels and it can also have a beneficial effect on economic growth.

Corruption undermines firm growth and reduces the propensity to growth (Kimuyu, 2007). Most instances of implementation of economic reform (making the economy more open) and anti-corruption measures do not produce growth acceleration immediately (Hausman et al., 2005). The economic reform affected the growth positively after a lag of four years and the perception of the quality of governance (corruption) after a lag of three years (Giavazzi & Tabellini, 2005). China's unique experience of economic transition is characterized by the duality forms and effects of crony corruption underlying local corporatism in a dual track (i.e., market and political tracks) (Li, 2009).

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IMPACT OF LEGAL AND REGULATORY INSTITUTIONS ON CORRUPTION

The economic growth in a country depends of institutions that deal with property rights and contracting institutions (labor and finance). Institutions establish the rules of the game in a society that shape human interaction (North, 1990). Property rights institutions provide private agents protection from predation by the state or powerful elites, while contacting institution regulate contracts between private parties. The major role of the institutions is to reduce uncertainty by establishing a stable structure for human interaction. They provide a framework for transactions and cooperation to occur. Institutions that regulate contracting, property rights, labor, and finance have an influence on economic activity. Corruption may efficiently grease the wheels of institutional framework. Institutions influence the transaction cost of the human economic interactions. Institutions affect economic performance by their effect on the cost of exchange and production (North, 1990). Good institutions promote economic growth by establishing a good business environment where economic transactions occur under trust and order. When property rights are well established, the business partners do not need to spend resources to monitor and enforce transactions and can focus on production or doing business. The institutional feature of property rights enhances economic growth (Fedderke, 2001).

Corruption can be viewed as a proxy for the quality of institutions of property rights (Fernandes & Kraay, 2006). Corruption represents the use of political authority in order to make private economic gain in the form bribes. Corruption should therefore be higher where property rights institutions are weaker. Corruption can also influence the labor regulation, financial institutions, and availability of power (Acemoglu & Johnson, 2005). Specifically, one would expect weak contracting institutions to be a binding constraint on business performance only where property rights institutions are not (Honorati & Mengistae, 2007). Based on the study of the interaction between corruption, aggregate efficiency, and other dimensions of governance for a panel of 69 developed and developing countries, it was found that corruption is less detrimental or even positively related to efficiency in countries with less effective institutions When the institutions are not effective, people have to invest resources to track transactions, which take away resources from production. Diverting resources from production to transaction hampers economic growth (Meon & Weill, 2010).

Some institutions are formal while others are informal. Formal institutions have laws and contracts. The legal system deals with specific problems but it does not cover all possible human interactions. The informal institutions cover the areas of human interaction that formal laws do not. The informal institutions include codes of conduct, norms of behavior and conventions. These informal institutions are embedded in the national culture of a society and change very slowly. Both formal and informal institutions complement each other and are necessary for efficient functioning of a society. The quality of the formal institutions is the most important determinant of differences in income levels between countries (Roderick et al., 2002). The quality of informal institutions offers a statistically significant explanation for inter-country variations in growth rates of real per capita income (Scully, 1988).

Property institutions exert stronger influence on long term economic outcomes than contracting institutions Private agents usually circumvent the problem of poor contracting institutions by developing informal substitutes for them even if there is an added cost in terms of bribes. Businesses withdraw if property rights are not secure. In other words, the economic outcomes of the failure of contracting institutions tend to be less extreme than those of the failure of property rights institutions (Acemoglu & Johnson, 2005).

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Corruption and tax evasion can have ambiguous effects on economic growth. Tax evasion increases the capital available to entrepreneurs. It also reduces the amount of public services offered by the government. Lin and Yang (2001) extended the portfolio choice model of tax evasion from static to dynamic setting. In the dynamic setting model, the public services represent non-productive capital. Diverting resources from the non-productive public sector to productive private sector, tax evasion is conducive to economic growth. The growth decreases with respect to the tax rate in the absence of tax evasion. In the presence of tax evasion, the growth rate is U-shaped with respect to the tax rate (Lin & Yang, 2001). Historical factors, geographic influence, and the government influence corruption, and both the size and scope of government impacts corruption. The historical inertia of institutions that induce corruption persists, and some geographic factors can mitigate corruption (Goel & Nelson, 2010). Nations with more government regulation for business nurture corruption (Woodside et al., 2012).

IMPACT OF GOVERNANCE ON CORRUPTION

Most existing cross-country surveys of national governance and corruption rely on the subjective views of outsiders, namely expert assessments, country analysts, or foreign investors. Corruption thrives where states are too weak to control the discretionary power of their bureaucrats, to protect property and contract rights, and to provide the institutions that enforce the rule of law. Recent studies of corruption have tended to focus on key characteristics and policies of the state, especially the extent of state intervention in the economy and the degree of discretionary power of bureaucrats.

The Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996–2012, for six dimensions of governance including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption (World Bank, 2014). National governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored, and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.

The links between corporate governance and national governance have been largely unexplored. The interaction between corporate governance and national governance shape the business environment. Corruption is associated with a variety of problems such as impeding economic development. Effective corporate governance that restricts corruption benefits not only the business firm but also economic activity in host countries. Using data obtained from the Organization for Economic Co-operation and Development's (OECD) and Transparency International (TI), bribery, corporate fraud, cartels, and corruption in supply chains and transnational transactions have been investigated. Countries with lower corruption levels have experience significantly less unemployment than higher-corruption countries. In addition, gross fixed capital formation and foreign direct investment were more favorable (though not significantly different) for the lower-corruption countries (Smith et al., 2011).

In Asia, the most dominant form of the private sector is a family-owned business group. The corporate governance of such businesses is not as formal and lacks checks and balances found in the board-type governance structures in large corporations in advanced economies. Using Rose-Ackerman's typology of petty and grand corruption, results show the dilemmas faced when trying to operate within the

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precepts of corporate governance while dealing with the practical reality of corruption in public sector institutions (Rama, 2012).

Corruption is related to growth volatility. From the empirical analysis of 121 developed and developing countries, it was discovered that only corruption control and government effectiveness adversely affect the growth rate. A higher corruption control, expropriation risk control, government effectiveness and government consumption decreases growth volatility (Evrensel, 2010).

Corruption and economic growth are determined by political accountability. In countries with high quality political institutions, corruption has a substantial negative impact on growth. In countries with low quality political institutions, corruption has no impact on growth (Aidt et al., 2008; Blackburn et al., 2009). Political institutions influence the perception of corruption. Ideological polarization predicts perception of corruption. The perception of corruption is influenced by specific institutional features of the political system such as elements of the voting system, ballot structure, and separation of powers (Brown et al., 2011)

INTERVENTION STRATEGIES FOR CORRUPTION

Corruption circumvents the fairness and impartiality of the rule of law and benefits the private actors who practice it. The most effective strategy for these actors to behave ethically needs to be a combination of the carrot and the stick. To combat corruption, Singapore instituted the reversal of burden of proof and increased punishment and extraordinary investigation rights (Klitgaard, 1988). These measures may be in conflict with the democratic virtues of human rights and respect for the individual. The reverse burden of proof assumes the individual is guilty until proven otherwise. Granting extraordinary investigation rights to special anti-corruption units can create corruption in these units if the judiciary lacks independence and transparency.

Based on more than 1,500 interviews in Estonia, Latavia, and Lithuania, civil servants' perception found that increased detection and punishment for corrupt officials was effective. Conducting campaigns and ethical training was also helpful in reducing corruption. Women believed more in the effectiveness of sanctions, control and awareness instruments (Johannsen & Hilmer, 2012).

Corruption is a multifaceted and context specific problem. One requires a context-specific approach to diagnose and intervene in corruption cases. Four prevailing frameworks or intervention policy approaches include law enforcement, economics, moralism, and cultural relativism (Bellows, 2013). First, the law enforcement framework treats corruption as violation of law. This legal approach is used by anticorruption agencies, the International Bar Association's Anti-Corruption Committee, and legal conventions such as the OECD and the Anti-Bribery Convention. Intervening in corruption using the legal approach requires increasing resources for the law enforcement agencies and promoting their political independence.

Second, the economic framework views corruption as a product of incentives. Bribes are paid to or demanded by rational participants when the benefits of bribery exceed the costs. The focus is on monetary trade-offs. The risk of legal conviction or loss of reputation becomes secondary. The economic intervention involves adjusting incentives and external conditions to change behavior of the participants to reduce corruption. There is no value judgment in the economic framework.

The third corruption intervention strategy is based on moralism as corruption is considered intrinsically wrong and is not simply illegal and economically conditioned. Corrupt officials who become prosperous through corruption are not viewed favorably. A moralistic perspective on corruption uses the "name

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and shame" approach. The TI Corruption Perceptions Index is such an approach. A moral rejection of corruption can lead to the citizen activism to demand accountability. However, the moral perceptions of the citizens can be influenced by domestic law enforcement which may ignore corruption. This can lead to a sense of resignation on the part of the citizens about the possibility of eliminating corruption.

The fourth corruption intervention strategy recognizes cultural relativism regarding what is considered corruption in a specific culture. This perspective is based on the view that corruption is in the "eye of the beholder" and views corruption through the lens of local culture. What is seen as a corrupt practice in one country can be perceived as a legitimate action in another country (Dion, 2010). In some cultures, corruption is so pervasive that people believe nothing can be done about it so it is considered a necessary evil. They believe corruption may be ugly but it is unavoidable and here to stay. Using such arguments, savvy bribe payers continue bypassing regulations to promote their business interests in countries where corruption is pervasive. Elites from developing countries assert that permitting bribes in international business transactions is their competitive advantage, well-deserved after decades of economic subservience (Bellows, 2013). In many developing countries, corruption has evolved over time to serve a social function. In the absence of a social safety net, earnings from corruption are considered as retirement savings. A context-specific integrated approach using all four frameworks is proposed for diagnosing corruption and taking corrective action (Bellows, 2013).

Most of the anti-corruption measures focus on the enforcement of controls and punishment of violations. These functional measures designed to combat corruption can be outmaneuvered by corruption. Transformative measures like amnesty as an anti-corruption strategy can also be effective since corruption is a social and cultural phenomenon (David, 2010). The idea of functional and transformative measures to combat corruption is based on the Rustow's (1970) concepts of 'function' and 'genesis' in the context of transition to democracy. This view distinguishes between correlation and causation. In other words, the factors that keep democracy stable may not be the ones that brought it into existence. Applying that to corruption, measures leading to less corruption differ from those that contribute to maintaining less corruption. Amnesty has been proposed as an anti-corruption measure (David, 2010).

Hong Kong created an independent commission against corruption (ICAC) in 1974. The success of ICAC in reducing corruption rests on the structural and resource independence. It uses a three-pronged approach of operations, corruption prevention and community relations (Wong, 1981). Amnesty was granted to the Royal Police Force in Hong Kong in 1977 and was a transformative measure targeting corruption as a social and cultural phenomenon. The transformative role of the amnesty paved the way for ICAC's success and reduced corruption in Hong Kong (David, 2010).

The United Nations Convention against Corruption (UNCAC) is the only legally binding, comprehensive, global anti-corruption instrument to fight corruption and promote integrity. The UNCAC covers five main areas: prevention, law enforcement measures, international cooperation, asset recovery and information exchange. The United Nations' (UN) office on Drugs and Crime (UNODC), acts as a catalyst and a resource to help effectively implement the provisions of the UNCAC. The UNODC provides practical assistance and helps build the technical capacity needed to develop effective anti-corruption policies and institutions, including preventive anticorruption frameworks in the public and private sector. This is especially helpful for vulnerable developing or transitional economies. The UNODC has a web-based anti-corruption portal known as TRACK (Tools and Resources for Anti-Corruption Knowledge). The portal features a legal library on the UNCAC, thus providing a unique gateway to an electronic database of legislation and jurisprudence relevant to UNCAC from over 175 countries systematized in accordance with the requirements of the convention.

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The TRACK portal brings together legal and non-legal knowledge on anti-corruption and asset recovery enabling member states, the anti-corruption community, and the general public to access this information in a central location. An anti-corruption learning platform is also incorporated, providing a common space where analytical tools generated by partner organizations can be searched and accessed by users worldwide. An anti-corruption learning platform is also incorporated, providing a common space where analytical tools generated by partner organizations can be searched and accessed by users worldwide. A further key objective of TRACK is to create a community of practice where registered users can communicate, exchange information and schedule events. The common workspace is intended for partner institutions, anti-corruption practitioners and experts to communicate and collaborate directly with each other.

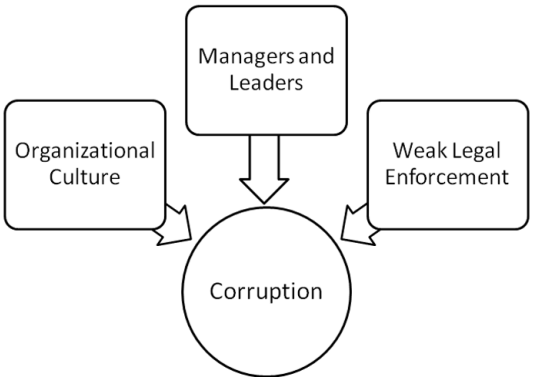
IMPACT OF ORGANIZATIONAL CULTURE AND LEADERSHIP ON CORRUPTION

Corruption should not be regarded as primarily an individual phenomenon. Corrupt individuals represent a network that is embedded in an organization whose culture tolerates corruption. Corruption becomes normalized in organizations through the process of institutionalization, rationalization, and socialization (Figure 2). It represents a cultural and societal phenomenon. Normative systems in an organization play an important role in generating corrupt activities. They may even cause deviant behavior in some who would act in a responsible manner in other settings (Apel & Paternoster, 2009). Leaders do not have to actively engage in corruption, but they can reinforce the culture of corruption by ignoring corruption or facilitating unethical behavior (Ashforth & Anand, 2003).

Good managerial ethics is essential to curbing corporate crime in organizations (Paternoster & Simpson, 1996). Both managers and leaders act as role models for the employees. They strongly influence the organizational culture and set the ethical tone of an organization. Management in an organization is directed towards processes and the leadership towards people (Davenport & Harding, 2010). Role modeling, openness and strictness of leaders have a direct impact on the frequency of integrity violations by employees (Huberts et al., 2007).

At the macro-level, corruption is influenced by economics, national culture, and political systems. At the micro-level, organizational culture plays a significant role. The organizations shape, mediate, and

Figure 2. Causes of corruption in an organization



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channel social choices (Powell & DiMaggio, 1991). An individual's values alone are not sufficient to explain a person's deviant behavior. Unethical actions by supervisors and the unfair treatment experienced by employees also contribute to their illegal behavior (Sauser, 2007; Biron, 2010).

Organizations have written code-of conduct for the employees to follow. This requires a clear understanding of what is considered corruption. For employees, there may be "grey areas" and their interpretation may depend upon the social class they belong to (Heidenheimer, 2002; Collier, 2002). Written ethical norms in organizations must be converted into everyday practices so that management and employees behave morally (Pucetaite et al., 2010). Management must act as a role model in this regard. Organizations often tend to manage the corruption issues through legal action alone. A two-pronged approach is necessary where one combines the legal action with an effective communication of organizational expectations of non-corrupt conduct. Weak legal system can be a source of corruption and also a a consequence of corruption.

Complex and ambiguous regulations that permit multiple interpretations may encourage the use of position of authority for personal gain (Jain, 2001). Laws that are not consistent with prevailing norms may create pressure on employees and management to enforce them selectively (Carvajal, 1999). Employees and management may interpret that since their actions are not harming anyone, they are not corrupt. Clear and consistent communication of what is corruption, converting written code of conduct into everyday practices, role modeling by management, sanctions against corrupt actions, and ethical training are effective ways for an organization to be corruption-free. Ethical training makes people behave in non-corrupt ways not because of sanctions, but because people believe corruption is not good for the individual and the organization (Mulder et al., 2009).

IMPACT OF BUSINESS ETHICS TRAINING ON REDUCING CORRUPTION

Increased teaching of business ethics can have a positive effect on the fight against corruption (Niekirk, 2003). Can theory influence practice? A Hegelian approach to the problem, in terms of which theory can and does influence practice, is compared to a Marxist approach in terms of which theory is only a reflection of practice. The author chooses a position mediating between these two extremes and develops a model that relies heavily on the idea of an ethics of responsibility based on Aristotle's idea of phronesis (practical wisdom based on deliberation). The practical implications of these ideas for the utilization of business ethics teaching in companies are consequently explained. While more teaching of this discipline cannot guarantee better morals in a company, it can better equip all involved to deal with the ever increasing moral problems facing business people. There can be no doubt about the seriousness of the crisis faced by morality.

SUMMARY

Corruption represents the abuse of entrusted power for personal gain and is a social, economic, and political issue for all nations. Corruption is pervasive globally in both developed and developing economies and provides an economic advantage to the parties participating in the act. Corruption exists in government institutions, non-profit organizations, small and medium enterprises, multi-national corpo-

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rations and private businesses, and also exists in democratic, dictatorial, feudal, capitalist, and socialist or centrally-planned economies. Corruption exists in societies practicing Christianity, Islam, Hinduism, Jewish, Buddhism, and no religion. Corruption ranges from petty corruption to political/bureaucratic or systemic corruption and becomes embedded in a society's culture and way of life.

Corruption is one of the primary obstacles to the economic development of a country and also decreases firm growth. Corruption and rapid growth have coexisted in many Asian countries. Nations with many rules nurture growth in corruption which undermines the rule of law, weakens trust in public institutions, and challenges democratic institutions which leads to government instability. Corruption attacks the foundation of democratic institutions by influencing the electoral processes. Economic development is hampered due to reduced foreign direct investment and adverse business climate. Corruption is a multifaceted and context specific problem. One requires a context-specific approach to diagnose and intervene in cases of corruption.

Various approaches to combat corruption include legal, economic, moral and organizational culture. Strengthening the legal and regulatory agencies help combat the corruption. Legal enforcement of anti-corruption practices, protecting property rights and rule of law help reduce corruption. Transparency and accountability promote ethical behavior. Positive role-modeling by leadership and management creates an organizational culture of integrity. Ethical training also helps to reduce the corrupt practices. Combating corruption in the local and international business has become the 21st century ethical, social, and political challenge.

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KEY TERMS AND DEFINITIONS

Business Climate: Refers to the attitude of government and lending institutions towards business activity. It also includes the tax rate, inflation and attitude of labor unions towards employers.

Business Ethics: A form of applied ethics that examines ethical or moral problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.

Corruption Perception Index (CPI): Is the annual ranking of countries "by their perceived levels of public sector corruption, as determined by expert assessments and opinion surveys. The CPI generally defines corruption as 'the misuse of public power for private benefit'."

Corruption: Is defined as abuse of entrusted power for private gain.

Doing Business Indicator: Ranks the economies in 10 areas of business regulation, such as starting a business, resolving insolvency and trading across borders.

Economic Freedom Index (EFI): Is an annual guide published by The Wall Street Journal and The Heritage Foundation. The Index covers 10 freedoms – from property rights to entrepreneurship – in 186 countries.

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Chapter 36
Grassroots Innovation for Human Development:
Exploring the Potential of Participatory Video

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ABSTRACT

Can digital technologies serve to highlight and strengthen the work of social organizations that promote human development? This is the question the authors want to answer in this article, in which they analyse an eight-month participatory video (PV) process, promoted by a group of university researchers and conducted in collaboration with two grassroots innovations (GI) in the city of Valencia (Spain): the Fuel Poverty Group and Sólar Dómada. The innovative component of PV is situated in two areas: firstly, as an action research methodology, the PV process enables people's participation, with the aim of generating learning, agency and contextual knowledge from the participants; secondly, the innovation is found in the product, the video itself. The video narratives can be used to disseminate the practices of the GIs and offer a space for critical reflection on the structural constraints that may hamper the diffusion of innovations. Furthermore, the audiovisual work itself has its own agency and has the potential to create opportunities for advocacy and contribute towards removing barriers that limit human development.

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INTRODUCTION

Can digital technologies serve to highlight and strengthen the work of social organizations that promote a model of a more equitable and sustainable development? This is the question we want to answer in this article, in which we will analyse an eight-month participatory video (PV) process, promoted by a group of university researchers and conducted in collaboration with two social organizations in the city of Valencia (Spain): the Fuel Poverty Group and Sólar Dómada. We call these two groups Grassroots Innovations (GI) according to the definition by Seyfang and Smith (2007), who understand GIs as:

networks of activists and organizations generating novel bottom-up solutions for sustainable development; solutions that respond to the local situation and the interests and values of the communities involved (p. 585).

Business and industry are no longer the only actors of innovation, but also groups of people from civil society, mainly activists or non-profit organizations, that generate bottom-up innovation in response to local needs. The aim of this kind of innovation is to lead to a transition to a more sustainable society, introducing a normative direction of innovation (Smith et al., 2010).

In this paper, we complement this normative perspective of innovation for sustainability with the human development and capability approach, which arises from such a tradition in humanist social philosophy and humanist economics (e.g., Haq, 1999; Nussbaum, 2000; Gasper, 2009). It stresses: a plurality of values, not only the values of economic utility as expressed and promoted within markets; secondly, a human-wide concern and solidarity, as in human rights philosophy: the field of reference is all humans, where ever in the world, and in particular all those affected by one's actions; and thirdly, it recognises the normality and centrality of interconnections: side-effects of markets mean that market calculation is insufficient even if we only use a value of economic utility. Human development theory, represented for example in the UNDP Human Development Reports, moves to analyse processes and connections not only within disciplinary and national boundaries. Economic policies towards low-income countries for example can have major wider impacts, on conflict and violence, the flow of arms and the creation or strengthening of international crime networks, disease, migration, international epidemics, and more efficiency (Boni & Gasper, 2012).

Following previous attempts of dialogue between GI and human development (Pellicer, 2016), we can call this kind of innovation GI for Human Development.

The first GI is the Fuel Poverty Group, a new group of volunteers, mainly university students that want to challenge fuel poverty[1] by giving advice on how to reduce fuel consumption. This group is part of a wider network named the Platform for a New Energy Model[2], which works towards a more democratic and sustainable energy model.

The other group is the Solar Dómada[3], a group of people who are occupying a private plot, highly deteriorated at the time of their occupation (2013), as a way to assert the need for social spaces in the neighbourhood. Solar Dómada also seek to highlight that another kind of coexistence between neighbours is possible; one based on respect and intercultural coexistence. In the centre of the plot is the Garden of Ca Favara, one of the symbols of neighbourhood participation, involving more sustainable practices of food production and consumption.

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There are, therefore, two experiences of GI that have a common aim behind their activism in that they both seek a more equitable, democratic and sustainable livelihood. The differences between them lie in: the area in which they are located (energy and production of urban space); the age and characteristics of their members (university students in the case of Fuel Poverty Group and people of different ages, educational levels and careers in the case of Solar Dómada); and their strategies (information and technical advice in the case of Fuel Poverty Group and occupation of urban space in the case of the Solar).

Over a period of six months (from October 2015 to March 2016), a group of researchers (including the authors of this article) worked with these two groups and facilitated a PV; understood here as a participatory action research where people created their own film, using digital video technology. This PV was a five-stage PV process, from the initial definition and planning to the public screening and debate on the videos.

From our perspective, the innovative component (towards human development) of the PV is situated in two areas: firstly, as an action research methodology, the PV process enables people's participation with the aim of generating learning, agency and contextual knowledge from the participants (Lunch & Lunch, 2006; White, 2003; Millán & Boni, 2016; López-Fogués et al., 2016). In this sense, the methodology is totally coherent with the core values of human development and can itself be considered as a kind of innovation towards human development. Secondly, the innovation is found in the product, the video itself. The video narratives can disseminate the practices of the GIs; offering a space for critical reflection on the structural constraints that may hamper the diffusion of innovations. Furthermore, the audiovisual work itself has its own agency (Latour, 2005); not only does the PV create opportunities for learning, agency expansion and empowerment during the process, but the product also has the potential to create opportunities for advocacy (Wheeler, 2012), and to contribute towards removing the barriers that limit human development.

In this paper we want to examine to what extent this PV process has been a tool of human development innovation. We will explore both the process and the product using different categories belonging to the participatory action research and human development literatures. With regard to the process, we will pay attention to the communicative spaces developed using the PV. As stated by Kemmis and McTaggart (2005), communicative spaces are forums "in which people can join one another as co-participants in the struggle to remake the practices in which they interact" (p. 563). Inside these communicative spaces, the co-participants interact, discuss, learn (consciously and unconsciously), create knowledge and are exposed to power dynamics that can hamper, boost and, in any event, influence participation dynamics (Gaventa & Cornwall, 2008; Millán & Boni, 2016). Therefore, the three main questions to be explored will be: 1) To what extent, in the different communicative spaces created during the PV, did participation take place? 2) What kind of knowledge was co-created? 3) Did participants expanded their agency and capabilities? Both agency and capabilities are two main categories of the human development approach, to which we will refer in depth in section 3. Agency refers to the ability of the individual to pursue and achieve the objectives they value. An agent is someone "who acts and makes change happen" (Sen, 1999, p. 87). Capabilities are the substantive freedoms (which the same author also names "the real opportunities") to lead the kind of life that people value. It is important to understand the idea of capabilities as freedoms or opportunities. They cannot be desires, but must be something that can be put into practice. They include both material things and the states of people (Sen, 1999). With regard to the product, we will analyse to what extent the narratives of the two videos produced are coherent with human development values and whether the video achieved its potential as an agent of change.

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In the next part, section 2, we describe the PV process developed, identifying the different communicative spaces produced; in section 3 we address the main characteristics of the theoretical framework applied; in section 4 we discuss the evidences obtained and, lastly, in section 5 we conclude with some considerations of PV as a tool for action-research in GI for human development.

THE PV PROCESS

According to several authors, PV can be understood as a manifestation of the relationship between the media and the world of development (Scott, 2014; Plush, 2012), but it is also identified as a methodological tool within the scope of Participatory Action Research (Fals-Borda & Rahman, 1991). PV like Participatory Action Research is a method of research and collaborative action characterized by the active involvement of people, the participants of the process. The facilitators are those who help structure the process and encourage interaction and discussion among participants to deepen contextual knowledge and, thus, look for possible solutions (Millán & Boni, 2016).

Video is considered a means of creative communication; it is easily accessible and also, when basic technical support is provided, easy to use. In PV, the art of "storytelling" and the collaborative construction of the audiovisual content, mainly seek to provide a space for critical reflection on processes and social struggles and to appeal for advocacy and action on injustices that affect the participants. The PV process also enables those involved to exercise power and take control while generating agency and empowerment between participants (Lunch & Lunch, 2006; Wheeler, 2012; White, 2003).

In our particular case, PV was used as an action-research method to try to grasp the contextual knowledge produced and as a way to empower members of the two local initiatives through various cycles of reflection and action. An additional objective was to produce an output – the two videos[4] – that can be useful tools for the goals of the various participants: for the local organizations, as a tool to show and disseminate their activities and add new constituencies; and for the group of facilitators, members of INGENIO a Spanish Institute devoted to knowledge management and innovation[5], as a way of illustrating a way of conducting research and discussing its social relevance.

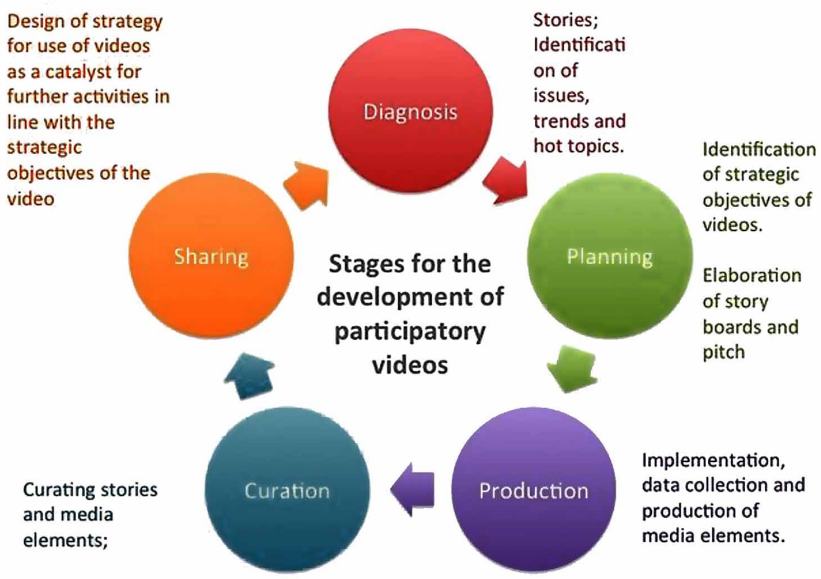
The 8-minute video by Solar Dómada presents the occupied plot as a place where coexistence between neighbourhoods is promoted and more sustainable lifestyles are demanded, which are respectful of the differences between cultures and between generations. At the heart of the plot there is a small orchard, literally dug into the cement, symbolizing a space of resistance against a model of the unsustainable and individualistic city in a peripheral and difficult urban environment. The second video (6'50") illustrates a recent problem in the Spanish context; that of fuel poverty. The video shows evidence of what is meant by fuel poverty and how conducting a review of the entire energy consumption of a household can lead to improved energy efficiency.

In Figure 1, we illustrate the different phases of PV (diagnosis, planning, production, curation and sharing) according to a definition developed by Millán and Frediani (2014) and later used to guide other PV processes (Boni & Walker, 2016; Boni & Millán, 2016; Millán & Boni, 2016; López-Fogués et al., 2016). During the five phases we identify the three different communicative spaces that occurred during the PV: inside the GIs, between GIs and facilitators and between GIs, facilitators and other people.

In the first phase, diagnosis, participants identified the most relevant issues. This phase occurred in two types of communicative spaces: inside GIs and between groups and facilitators. In the case of Solar

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Figure 1. Stages of participatory video development (Millán and Frediani, 2014)



Dómada, the intra-group space was particularly important as it enabled a reconstruction of the history of the group. In the case of the Fuel Poverty Group, the interaction between this group and the other participants enabled them to think about the narrative of the video, embracing a broader perspective of fuel poverty.

The second phase was planning, where the storyboard was developed. This occurred primarily inside groups and then it was socialized in a communicative space of a collective nature, which was also very much appreciated by the participants, allowing them to reflect on the narratives and contents of the two videos.

The third phase was the video production. In the case of the Fuel Poverty Group, the participants asked people outside the action research about the significance of fuel poverty or how they felt about being labelled "energy poor". As we will discuss in section 4, these interactions were a very important source of learning about rethinking the idea of fuel poverty and the scope of performing energy consultancy as a mechanism to deal with it. In the case of Solar Dómada, the production phase stimulated a variety of communicative spaces between group members and the neighbourhood, providing various perspectives on the plot. The contribution of the facilitators at this stage was to provide technical assistance in recording.

The fourth phase was the publication (curation) of the two videos, which in the case of Solar Dómada was conducted with the help of an external facilitator, while in the case of the Fuel Poverty Group, the task was taken on by the group itself. There was a collective communication space where videos were pre-viewed internally. For the Fuel Poverty Group, this space of collective discussion allowed them to refine the video narrative.

The PV cycle ended with the public presentation of the videos in an emblematic site in the city of Valencia, due to its political character (Ca Revolta). After the screening there was an interesting dialogue between group members, facilitators and the audience, composed of activists and academics and neighbours of the Solar Dómada.

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MAIN CATEGORIES TO EXPLORE INNOVATION FOR HUMAN DEVELOPMENT

As stated at the introduction, to analyse the PV process we use three categories frequently mentioned as significant in the participatory action research and the capability approach for human development literature. The first is "communicative spaces". As Kemmis and McTaggart state (2005, p. 563), "PAR offers an opportunity to create forums in which people can join one another as co-participants in the struggle to remake the practices in which they interact". The same authors define practice as the real, material, concrete and particular actions of particular people in specific places, which can "comprehend what people do, how people interact with the world and with the others, what people mean and what they value, the discourses in which people understand and interpret the world" (Kemmis & McTaggart, 2005, p. 565). The second category is participation. According to Bradbury-Huang (2010), participation can be considered on a broad spectrum: from a minimum involvement of practitioners (for example, in a needed consultation) to having those practitioners as co-researchers and co-designers. The third category is knowledge. As we mentioned at the beginning of this paper, through participation in communicative spaces, knowledge is produced. This knowledge is assumed to not only be the understanding of the topics addressed, but also practical knowledge (the skills developed) and the values that underpin the knowledge produced (Kemmis & McTaggart, 2005).

As occurred in previous analyses of other processes of PV (López-Fogués et al., 2016; Boni et al., 2016a), we can represent each of these three elements – communicative spaces, participation and knowledge – as the axes of a three-dimensional figure, a cube, taking inspiration from the work of Frediani (2015) and Gaventa (2006), and first developed in Boni and Walker (2016). The use of the cube aims at visualising complex interactions among dimensions in the analysis of participatory processes. In our case, it aims at representing the intersections that occur between knowledge and participation within communicative spaces that take place during the cycles of reflection and action in the phases of the PV. The representation of our analytical understanding is presented in Figure 2, in this we find the cycles of the PV process (see Fig. 1) inside the cube. In the interactions between the three axes, issues of power emerge and shape the kind of participation and knowledge produced (Gaventa & Cornwall, 2008).

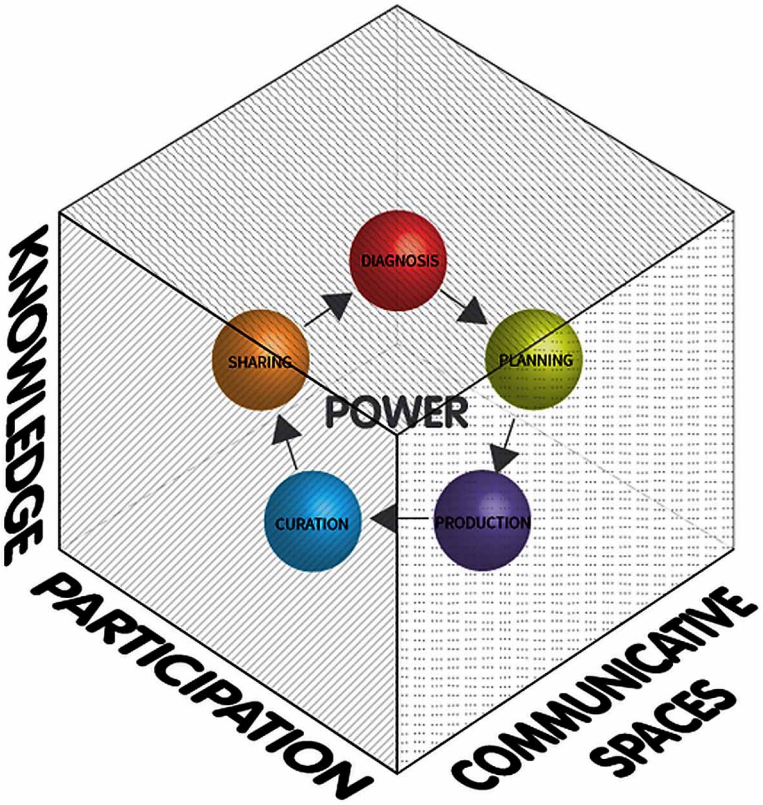
The other theoretical perspective is the capability approach for human development, which was developed in answer to the question "Equality of what?". Sen's response (1992) was to insert capabilities into the evaluative space, that is to understand and measure development as a process of expanding the real freedoms (the capabilities or well-being freedoms, the opportunity aspect of freedom), that people enjoy to be and do what they have reason to value (their plural function or well-being achievements). Well-being is thus understood in terms of how a person can "function", or what a person can actually be and do.

If capability is freedom of opportunity, agency is freedom of process. Agency refers to the ability of the individual to pursue and achieve the objectives they value. An agent is, as Sen notes (1999), someone who acts and makes change happen. As Deneulin (2014) explains, "well-being not only depends on what a person does or is, but on *how* [author's emphasis] she achieved that functioning, whether she was actively involved in the process of achieving that functioning or not" (p. 27). Sen's answer to his famous question "Equality of what?" is not only equality and democratically decided basic capabilities, but also, and just as importantly, equality of agency and process freedoms (Crocker, 2008).

The last characteristic of the capability approach for human development we want to highlight is its multidimensional and integral understanding of good lives. The plurality of dimensions and underpinning of values constitute a crucial anchor and guard against its easy domestication (Boni et al., 2016b).

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Figure 2. Three-dimensional framework to analyse PV processes (Boni et al., 2016a; López-Fogués et al., 2016)



All the values matter and support and reinforce each other. In a more detailed definition of the central values of human development, Alkire and Deneulin (2009) identify four interlocking principles of equity, efficiency, participation and empowerment, and sustainability and elaborate each as follows:

1. *Equity* draws on the concept of justice, impartiality and fairness and incorporates a consideration for distributive justice between groups. In human development, we seek equity in the space of people's freedom to live valuable lives. It is related to, but different from, the concept of equality, which implies the equality of all people in some space. In human development, equity draws attention to those who have unequal opportunities due to various disadvantages and may require preferential treatment or affirmative action.
2. *Efficiency* refers to the optimal use of existing resources. It is necessary to demonstrate that the chosen intervention offers the highest impact in terms of people's opportunities. When applying this principle, one must conceive of efficiency in a dynamic context since what is efficient at one point in time may not necessarily be efficient in the long run.
3. *Participation* and empowerment is about processes in which people act as agents – individually and as groups. It is about the freedom to make decisions in matters that affect their lives; the freedom to hold others accountable for their promises, the freedom to influence development in their

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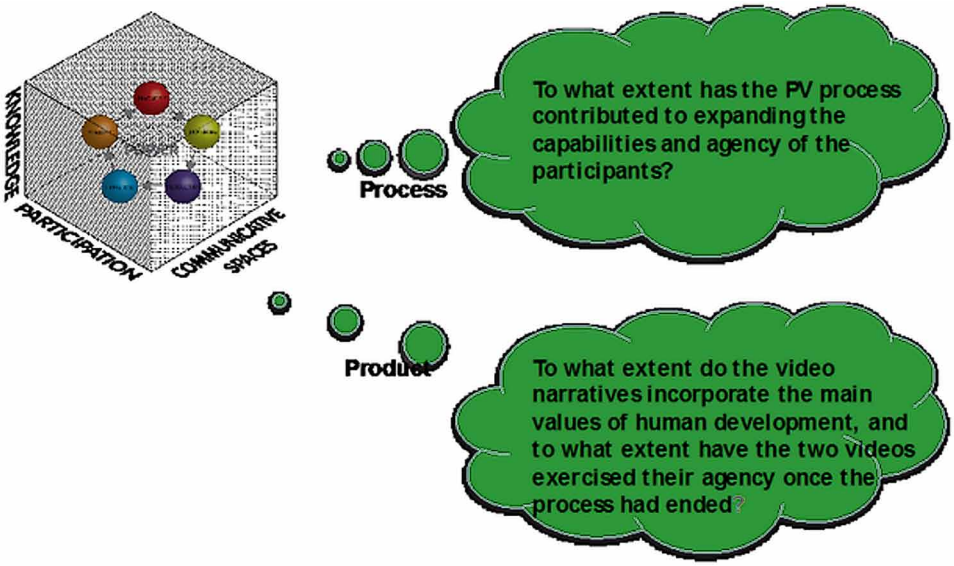
communities. Whether at the level of policy-making or implementation, this principle implies that people need to be involved at every stage, not merely as beneficiaries or spectators, but as agents who are able to pursue and realize goals that they value and have reason to value.

4. *Sustainability* is often used to introduce the durability of development in the face of environmental limitations but is not confined to this dimension alone. It refers to advancing human development such that progress in all spheres – social, political and financial – endures over time. Environmental sustainability implies achieving developmental results without jeopardizing the natural resource base and biodiversity of the region and without affecting the resource base for future generations. Financial sustainability refers to the way in which development is financed without penalizing future generations or economic stability. Social sustainability refers to the way in which social groups and other institutions are involved and support development initiatives over time, avoiding disruptive and destructive elements. Cultural liberty and respect for diversity are also important values that can contribute to socially-sustainable development.

As Alkire and Deneulin point out, these four principles are not exhaustive; other values, such as responsibility or justice, could also be considered. However, we agree with Ibrahim (2014) that an intervention inspired by the human development approach should incorporate all four dimensions; even if its main focus is on one dimension of value, the others must also be considered in relation to the main value chosen. For example, efficiency should not be considered on its own.

Thus, departing from the four values identified by Alkire and Deneulin (2009) and the categories of capabilities and agency illustrated above, in the next section we analyse to what extent the capabilities and agency of participants were expanded through the PV process (also analysed through the interaction between communicative spaces, knowledge and participation) and if and how the main narratives of the two videos inspire and adhere to the main values of human development. Finally, we consider whether the audiovisual products were able to exert their agency once the PV process had ended. Figure 3 depicts our understanding of this analysis.

Figure 3. Capability approach for human development analysis of the PV (Source: the authors)



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We will base our evidence on participant observation conducted throughout the process along with three groups interviews to members of the two GIs at the end of the PV process. In the case of Solar Dómada, two group interviews were conducted: the first with 3 women participating in the GI and the second with two men. The reason for doing it this way is that, during the PV, a difficult power relation between one of the women and the two men was detected. To enable the interview to flow more naturally, it was decided to separate the two groups. In the case of the Fuel Poverty Group a single group interview was conducted with a woman and a man. All the interviewees give us their informed consent.

The exploration of the narrative of the two videos has been performed by analysing the dialogues that appear in both videos, regardless of any other characteristics thereof (for example, non-verbal expressions). It is, therefore, an exploratory study that paves the way for future applications of the capabilities approach for human development in the analysis of audiovisual content. One limitation of this exploration is it has been made only by the authors of this paper, without involving the participants of the PV process. The authors are aware that incorporating the participants in the analysis could be more coherent with principles of human development and PV. Also, could be a more fruitful way as it can provoque new communicative spaces that can produce meaningful learning and knowledge.

THE PROCESS: EXPANDING CAPABILITIES AND AGENCY THROUGH COMMUNICATIVE SPACES

We will begin this section by analysing the potential of communicative spaces (both collective and within the groups) to create knowledge and foster participation. Starting with the collective communicative spaces mentioned before, both groups acknowledge that the first collective meeting was highly motivating and exciting. As noted by one of the members of the Solar Dómada:

It was very encouraging to see that your team [INGENIO team] was interested in our initiatives and because the problems we often have is making ourselves understood by our neighbours... I thought it was a good opportunity to become known in the neighbourhood... also to try something new, editing a video is far from what we normally do.

In terms of the knowledge produced, we can identify the second collective moment that happened at the planning phase as being extremely powerful – when the two organizations shared storyboards. During moments of dialogue, participants were able to contrast their visions on the themes that would be address in the videos. For example, one of the members of the Fuel Poverty Group indicated:

XX told us that energy is not only electricity… there is solar thermal energy in the roofs of the houses... [all of these] are reflections from other points of view that you can get if you talk to people, and especially if you talk to groups that are already committed... [this is] where richness lies

In the case of the Fuel Poverty Group, the collective moment helped the group to adopt a less paternalistic perspective of fuel poverty. Their first option was to show one person affected by fuel poverty and how the energy consultancy could help to reduce her energy expenditure. After the ideas exchange during the second collective moment, the group decided to include a more political perspective of fuel

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poverty, introducing references in the storyboard concerning the energy oligopoly that exists in Spain and which hinders better energy consumption.

Regarding facilitation, members of the two groups expressed that horizontal relations between facilitators and members of the two GIs had a positive and significant impact on communication and exchange of ideas. It was also highlighted in the final meeting that collective spaces had been planned and managed in a very careful way. They were experienced as pleasant and friendly spaces, where people felt comfortable and relaxed, having a positive effect on people's participation. The importance of the emotional aspect in the process has been one of the greatest learning aspects for the facilitation team. Relationships between people are crossed by emotions, and creating communicative spaces where these emotions can be channelled positively is essential in order to generate more knowledge sharing and enhance participation.

With regard to the communicative spaces that have occurred within groups, for Solar Domada's members, the exchanges that happened during the diagnostic and planning phases were very important to reconstruct the history of the organization and the role played by each of its members. As noted by one of the participants:

We remember especially when we were recalling those moments with pictures... they were very emotional moments... I loved it when all of us answered without digressions what we wanted to show in the video... we had never seen such an organized and respectful relationship as the one that occurred that day

In the case of the Fuel Poverty Group, one of the most interesting communicative spaces from the perspective of knowledge production took place at the production stage when interviewing a woman affected by fuel poverty. The interviewer noted that the most shocking thing was to realize that the woman wouldn't have considered herself fuel-poor if she had been living on her own but she would reconsider this position if this affected her ability to meet the basic needs of her family.

Another important learning aspect for the members of the GIs was the limitations of their voluntary action as a way to challenge fuel poverty. As one of them indicated:

The difficult part is that we can help reducing the bill but we can't help you to get reconnected to the power supply... it's an economic issue... this where we say: we can only go so far as fuel poverty volunteers…

Finally, the act of making the two videos has also contributed to the acquisition of new technical skills. At the beginning of the process, some of the participants believed they were totally incapable of making a video.

A special mention must be made regarding the power relations that occurred throughout the process; on one side, although the PV process puts the team of facilitators in a position of superiority due to their mastery of the audiovisual tool (Millán & Boni, 2016), this was not a hindrance throughout the process. In the case of the Fuel Poverty Group, the group requested technical support when needed, but much of the technical work was done by the group itself. Participants recognized that the video could have had a higher technical quality, but their attitude was that this was a first approach to the tool, which would enable them to make more videos in the future.

On the other hand, in the Sólar Dómada group, power relations played an important role. In fact, one of the external facilitators ended up in charge of technical tasks and coordination of the PV process, precisely as a way to mediate between group members. This was viewed positively by most participants,

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because it was the way to "save" the process and finalize the video. However, one of the participants said he would have liked to have more control over the process, but the difficult relations inside the group favoured the delegation of coordination and technical tasks to an outsider.

With regard to the expansion of capabilities and agency among the participants, one of the main capabilities developed was the awareness capability or the capability to carry out self-critical investigation and an analysis of their own reality (Gaventa & Cornwall, 2008) that contributes towards rethinking and reframing the particular practices of the participants (Kemmis & McTaggart, 2005). Examining the PV results from a capability lens shows that, throughout the five stages, the process provided the necessary communicative spaces (internal and external) for participants to formulate and express how they understand the challenges they were facing.

Regarding the facilitators, we can say that this PV process enhanced their capability to reflect and improve their understanding of their role as facilitators in the social development field (Boni & Walker, 2016). The facilitators were able to clearly envisage the drivers than can bring about a better performance of PV processes. Paying attention to emotions, or providing safe spaces for participants to share and exchange knowledge, feelings and emotions, was crucial during the PV process.

We can also highlight the expansion of more "instrumental" capabilities such as the "social relations and social network" capability, or the capability to "Participate in a group for learning, working with others to solve problems and tasks and form effective or good groups for collaborative and participatory learning", both described by Walker (2006, p. 128). All of these capabilities were developed in the interaction between different communicative spaces both inside groups and in the relationship between groups and facilitators, with the exception of what happened with one of the people from the Solar Dómada who, for personal reasons also related to power dynamics, distanced herself from the process.

With regard to the expansion of agency, we must say that prior to starting the PV, all members of the two GIs recognized themselves as agents of change. What was provided by the PV was a major focus on that capacity for change. For example, as we said above, for the Fuel Poverty Group, the PV involved them becoming aware of the limitations of energy consultancy and volunteering as a way to fight and reverse such a complex issue as fuel poverty, which is linked to economic and political factors. However, the fact that the group exists within a wider movement, that of the Platform for a New Energetic Model, also allowed the GI to form a deeper understanding of the group's "room for manoeuvre" to change a structural problem like fuel poverty. In this regard, we note that the communicative space of the final presentation of the two videos, in which there was an interesting debate on these issues, was very positive for the formation of agency of the members of the Fuel Poverty Group. On the other hand, this collective space served to increase the visibility of the Fuel Poverty Group within the Platform, which also indicates an increase in the agency space of this group.

Concerning the Solar Dómada, in the case of the two men, they entered the PV with a strong impression of being agents of change; in this sense, the process strengthened this agency capacity to some extent. For two of the three women, they gained more recognition from their peers as agents of change and, at the same time, they reinforced their perception of being change makers. In this sense, we can say that the process was extremely empowering for them. But, for the other woman, as a result of power imbalances with its male peers, the process was extremely disempowering and she decided to abandon it. In that sense, the PV was not positive for this participant and, as in other Participatory Action Research processes, more attention from the facilitators should be paid to power relations, as these are crucial in those kind of research.

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THE PRODUCTS: COMPLEMENTARY APPROACHES FROM THE HUMAN DEVELOPMENT PERSPECTIVE

In this section we address the content analysis of two videos from the perspective of the four values of human development: equity, efficiency, participation and empowerment, and sustainability. In the video of the Solar Dómada, entitled "The Orchard of Ca Favara", the most relevant values are those of participation and sustainability. The Orchard is represented as a space "where things can happen" or "where values contrary to individualism and competitiveness are practiced", as narrated by two neighbours. Other characters highlight that the Garden is almost the only green space in the neighbourhood and gives it a better quality of life, making it possible to grow plants and vegetables in the middle of an extremely industrial environment. Additionally, the plot is a place to carry out recreational activities, and used by people of various origins and ages. Somehow, though not predominantly, the value of equity is shown, understood as equal opportunities to make use of the Garden.

By contrast, the videos by the Fuel Poverty Group, emphasize the values of equity and efficiency. The first value is expressed in much of the dialogues and testimonies that appear in the video. Fuel poverty is presented as a problem that affects many people, more than it seems, and that can happen in "ordinary" households. In fact, one third of the video is a conversation that occurs in a "normal" home where the mother of two children narrates how fuel poverty not only impedes her from heating water or warming her home, but also makes her feel ashamed. This is a really multidimensional view of poverty and very much aligned with the values of human development. Another key aspect that appears in the video is efficiency; the second part of the video narrative is dedicated to showing how homes can be more energy efficient with the help of the Fuel Poverty Group, that performs energy consultancy. The video concludes by briefly highlighting the various activities of the group to illustrate the value of collective participation in order to change the energy model. Interestingly, one value that does not appear, despite being closely related to the theme of energy, is that of sustainability.

We can conclude that neither of the two videos incorporates all four values of human development as a whole; rather they are complementary. Also, it is true that there are no counter-values to those of human development.

The final analysis we want to address in relation to the two videos is the capacity of the video itself to exert its agency, detached from the process of its creation. We consider three different communicative spaces to address this issue: the public screening at the end of the PV cycle and the presentations of the videos in two additional spaces: in a training session aimed at Cuban practitioners, and in a Spanish Master's degree on development aid. Both of them took place at the Polytechnic University of Valencia.

The public screening was the most interesting communicative space, leading to meaningful debates on central questions in the two narratives. On the one hand, in the case of the Fuel Poverty Group, the discussion focused on the difficulty both of measuring fuel poverty and knowing who can be considered as a fuel poor – those who cannot afford the electricity bill, or those unable to heat their house, or those who have to choose between cooking, heating or having hot water? The name itself somehow stigmatizes people as "poor", and many people do not want to be recognized in this way, which makes it difficult to obtain information from them. Also, the discussion touched upon role of gender in fuel poverty, as it is women who are trying more to cope with its effects in the home.

In the case of the video by Solar Domada, the discussion focused on the importance of making visible the work done in peripheral and industrial areas, such as that where the plot is located. This led to a debate about the role that PV can play in the long term and with different audiences. The role of the

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university in accompanying these kinds of long-term processes was also discussed, with the intention of trying to avoid temporary collaborations, as various activists remarked at the public screening.

The communicative space with Cuban practitioners was interesting because it allowed, on the one hand, to show the PV as a communication tool for social change and, on the other hand, to bring about an exchange of perspectives on the potential of GIs in recovered urban environments in Cuba and in Valencia. Finally, the projection in the Master's course served to illustrate the potential of PV as a tool of participatory action research and the role the university can play.

Something that was verified is the potential of video as a very good communicative tool; its visual nature makes it more comprehensible, regardless of the literacy of the audience and its easily reproducible properties make communication possible without the need of those who appear in the images to attend (Millán & Boni, 2016). In a global context where the low cost and easy access to platforms and digital devices are making it easier for citizens to propose and communicate alternatives participation and influence to the traditional structures of political and social power, video is currently emerging as the audiovisual medium with the greatest social influence on digital content (Vallet et al., 2015).

CONCLUDING THOUGHTS AND WAYS FORWARD

From the analysis in terms of the expansion of capabilities and agency and the alignment of the narratives of the two videos with the values of human development, we can say that the PV has proven to be a methodology that enhances GI for Human Development.

The process has expanded the capabilities of the participants, particularly those relating to rethinking and re-signifying their own innovative practices, and the more instrumental capabilities developed in connection with the use of video and teamwork. This capabilities expansion occurs through participation in communicative spaces in which knowledge is created from the internal interaction of the members of the GI and in the relationship between the GI and facilitators. There is also an enabling communicative space when the participants interact with outsiders.

As in other processes of action-research, the capabilities expansion is limited by power relations, as seen in the case of Solar Dómada. In relation to agency, although members of both GIs can be considered agents of change in the sense given by Amartya Sen (1999), we can conclude that, especially in the case of the Fuel Poverty Group, through rethinking their practice, individual and collective agency has been fostered. The idea that it is necessary to go beyond energy consultancy to combat fuel poverty gives a more structural approach to the practice of the Fuel Poverty Group.

Furthermore, the two audiovisual products can also be considered as part of the innovation for human development. As illustrated in the example, videos contribute, firstly, towards spreading a certain vision of the GI aligned with the values of human development and, secondly, to creating communicative spaces where such innovation can be shown and discussed. In spite of this, we cannot conclude from the examples that the videos have had an impact on policy change, which may be one of the potentials of PV (Wheeler, 2012).

As a limit of this work we can point out that both the analysis of the process and the outputs (the two videos) can be done with a major involvment of the participants. Indoubtely, this can reinforce the participatory side of the research and can provide new communicative spaces to produce learning and knowledge.

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Also, it would be of interest to explore the potential of PV innovation in the production system of scientific knowledge itself. The fact that it is a methodology of participatory action research, that is being promoted from a research group that is embedded in a university, leads us to an interesting reflection regarding the potential of these research methodologies to promote innovation in ways that generate and disseminate a kind of knowledge aligned with human development values. This would be an even greater contribution of PV towards contributing to a more equitable and sustainable development model.

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ENDNOTES

1 Fuel poverty can be understood as the difficult situation faced by a household that can't afford to pay for their energy consumption, leading to a lack of normalized access to gas and electricity. This situation brings about a deprivation of the freedom to live a decent life (Pellicer & Lillo, 2014).

2 http://www.nuevomodeloenergetico.org

3 http://domonomada.blogspot.com.es

4 Retrieved from https://repensandoelcambioclimatico.wordpress.com/5o-ciclo-proyeccion-publica/

5 More information http://www.ingenio.upv.es/en

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Chapter 37
The Arts, Civic Engagement, and Urban Youth

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ABSTRACT

The Arts, Civic Engagement, and Urban Youth explores methods for using the arts as a vehicle to empower urban youth to become critically engaged in their communities and positively improve their quality of life. Barriers that prevent urban youth from critically engaging social injustices and inequalities are examined and arts-based responses offered. An arts-integrated methodology is woven into previously researched and proposed pathways to civic engagement in order to offer urban youth opportunities for hope and healing from chronic adversity. This arts-integrated methodology facilitates in the development of self-efficacy and knowledge for youth to successfully affect sustainable change in their communities.

INTRODUCTION

Media venues are teeming with feel good stories of youth engaged in public art and arts-based community service projects. The youth group that painted a mural on the side of the community center that was on the brink of closing forever. Exhibiting photos taken by children that visually convey the dangerous areas of their neighborhood. The concert of youth created hip hop that shares their daily struggles with oppressive poverty that they cannot escape. A play performed by elementary students for an audience of local politicians to highlight the importance of arts education in their public school curriculum.

Viewing these stories provides a momentary surge of pride that the youth are giving back to their community and builds hope for these future community caretakers. Yet the more cynical viewer might question how involved the youth were in the project. Did they originally identify the issue to be addressed? Were they asked for input on solutions to these issues? Are they leaving the project with more than they started? Could civic engagement provide opportunities for personal transformation alongside social change?

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Without over-simplifying the matter, it would appear that disadvantaged urban youth would appear to have more opportunities for civic engagement than suburban or rural youth if for no other reason than the environment in which they live. Many face racial injustices, intergenerational poverty, violence, and under-resourced schools and community centers on a daily basis. Families are threatened by unemployment or underemployment and lack of quality healthcare. (Ginwright & James, 2002; O'Donoghue & Kirshner, 2003) These issues are woven into the very fabric of their community, threatening community well-being and decreasing healthy development of young people. Issues of adversity can become a perpetual cycle with urban youth being born into adversity, struggling to survive and thrive under the oppression, and eventually giving up hope and allowing the cycle to begin again with the next generation. So why, with so very many issues to overcome, would urban youth not do all that is within their power to create change in their community and demand a brighter future for themselves?

The urban youth described in the case studies found later in this chapter are fortunate to be involved in a community art center, afterschool program, and school that provides opportunities for self-development and community engagement. Unfortunately, most urban youth do not have similar opportunities. More frequently, urban youth lack access to opportunities to participate in addressing the rising poverty, joblessness, violence, and inequality plaguing their communities. Public schools offer little in the way of educating students on the democratic process or providing skills necessary to organize and mobilize on behalf of public interests. Youth seeking to confront inequalities and injustices are often dismissed because of their age or because they are viewed as "part of the problem." With so many obstacles to becoming civically engaged, it is no wonder that urban youth begin to lose hope for their futures.

Yet, perhaps not all hope is lost. Arts-based civic engagement not only offers a voice to those seeking to address social injustices, but a pathway for building self-identity and efficacy along the way. When youth are engaged in arts-based civic engagement, their comprehension and ownership of issues and challenges is stronger. They develop a deeper understanding of social issues and awareness of the root causes of injustices and inequalities. They develop skills that are less frequently taught in school such as creative problem solving, collaboration, and cross-cultural communication that promote the development of creative solutions to social problems. When urban youth contribute to community change through the arts, their social concerns are heard by more adults and the larger community, and their creative ideas are validated. Further, youth who are engaged in the arts are more likely to volunteer in their communities into their adulthood than youth who do not. (Borrup, 2009; Caterall, 2009) Soon they find strength and confidence in their voice which prompts them to continue to spiral upwards, expelling injustices, and eventually and hopefully, breaking through the cycle of adversity. (Innovations in Civic Participation, 2010, p. iii) Through the art-making process, urban youth are able to remove the labels placed on them by life's adversities, and begin the process of healing. With healing, hope is restored and youth become empowered to confront pressing community problems.

BACKGROUND

Spanning several decades, youth participation in community involvement had steadily declined from its height in the 1960s. During that decade, large numbers of youth were involved in the civic arena, whether through their school, church or other community groups. (Putnam, 2000) Youth were instrumental in the Civil Rights Movement, American Indian Movement and the Second Wave of Feminism. (Grebe,

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2014; Reed, 2009) Since that time, mistrust of politicians and their institutions coupled with feelings of powerlessness played a part in the steady decrease of civically engaged youth, more greatly seen among black and Hispanic youth. A study in 2000 indicated that within just a few years, civic engagement decreased by 10% in minority groups; a pattern echoed in other studies of disadvantaged youth. (O'Donoghue & Kirshner, 2003)

Today, however, civic engagement among youth seems to be experiencing a resurgence. The recent happenings at the University of Missouri are a clear indicator of the desire for today's youth to overcome archaic and oppressive policies. In the fall of 2015, students at the University of Missouri brought attention to rising incidents of racism both on campus and throughout the education system of the university. Numerous protests were held, a graduate student went on a hunger strike, and the football team refused to play until the president of the university resigned. The students led a well-coordinated protest with clear expectations. They were successful in affecting change and bringing about the president's resignation. (Sabatke, 2015) The success of these students is indicative of the power of youth. Youth rallying behind a cause have the potential to be an unstoppable force.

Research confirms that urban youth understand the negative experiences facing their communities and understand that these toxic issues are disproportionate to their peers in neighborhoods of different socioeconomic status. They are aware that the challenges faced on a daily basis impede their growth and potential. Most even display a sense of hope for their futures and indicate the desire to effect change for themselves and their communities. (Kirshner et al., 2002) Still, inactivity prevails. While these youth may recognize the issues in their communities, research by Atkins and Hart "suggests that youth living in urban contexts are more likely to encounter obstacles depriving them of knowledge about their communities or access to opportunities to participate" (Kirshner et al., 2002, p. 3).

Barriers preventing youth from civic engagement often reflect the societal and environmental stressors they may wish to address. Negative perceptions of youth often lead to feelings of alienation and isolation contributing to intergenerational, intercultural, and leadership gaps. Lacking education and employment opportunities coupled with housing and food insecurities lead to feelings of victimhood and a loss of hope. Further understanding these barriers allows for the identification and implementation of arts-based initiatives leading towards sustained civic engagement and systemic social change.

Alienation and Isolation

Urban communities in the past were the very illustration of the adage "it takes a village to raise a child." It was not uncommon for children to roam the neighborhood while the adults watched over them from their front stoops. Over time, family structure has shifted as a result of generations of poverty. Youth are more likely to be responsible for their own well-being with little interactions or guidance from adults. This shift results in a breakdown of the "feeling" of community leaving individuals to feel isolated or alienated from those around them. (Spencer, 1999)

Frequent relocations from house to house or neighborhood to neighborhood compound these feelings. Youth living in poor families are more likely to move to a new home five or more times during their youth than families with at least twice the income level. Youth of single parents as well as those of African-American or Hispanic ethnicity also experience a higher level of residential mobility. (Murphey et al., 2012, p. 2-3) Whether it is to escape abuse, inability to pay rent, or an immigrant family settling only for a short time before moving on; urban youth are less likely to remain in one home for any large

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chunk of their lives. This transitory lifestyle increases feelings of alienation and isolation. Youth struggle to feel a sense of ownership or inclusion in their community, perhaps resisting becoming involved knowing that they will need to move on soon.

Additionally, the perception created in society and reinforced in policy that young people of color are criminals serves to further marginalize and isolate urban youth. (Ginwright, 2011; O'Donoghue & Kirshner, 2003) Policy is created based on the concept that youth cause their own problems rather than understanding that the violence, drug use, theft and other behaviors are the result of societal and environmental stressors. "Policymakers usually respond to these issues by blaming youth themselves or simply writing them off as a threat to civil society" (Ginwright & James, 2002, p. 29). Urban youth are identified as a problem to be solved with policies that allow for police brutality and disproportionate incarceration rather than preventive or symptomatic systems that directly address stressors. What hope can a young person have to overcome systemic inequalities when faced with policy meant to devalue their very existence?

Leadership Gaps

While adults allow themselves to believe that youth are the cause of their own problems, they also often underestimate the power of youth to be agents of change. Priorities and values change from generation to generation, as does language, particularly jargon, that lead adults to misunderstand, mistrust, and disengage from youth. Further, a young person's outlook or understanding of a problem differs from that of an adult who may be quick to devalue a thought process or insight different than their own. In these situations, adults are quick to lead with a top-down or hierarchical style further motivating youth. Without efforts towards understanding how youth make sense of their world, adults will continue to create barriers preventing youth civic engagement. (Clement et al., 2014; Kirscher & O'Donoghue, 2001; Kirshner et al., 2002)

Youth perception of adults create an equal number of barriers preventing civic engagement. An increasing gap is growing between leadership and today's urban youth. Youth have observed the change agents of yesterday seamlessly integrate themselves into the political arena, appearing to take sides with those who seek to create policy that perpetuates oppression and inequality. This integration diminishes urban youth's opinion of adults, in particular, those in leadership, no longer seeing them as agents of change. As urban youth seek mentors among those in power, they find they are few and far between. Lacking mentors, not only are urban youth less likely to engage in change, the chain of information on historical roots of the issues and how to overcome adversity is broken. Knowledge and skill needed to successfully affect change is no longer transferred from adult to youth. (Kincheloe & Hayes, 2007)

However, leadership gaps do not exist just between adults and youth. Even among urban youth, an elite group often floats to the surface. These elite youth are frequently engaged in multiple activities and are viewed as leaders. Their role as leaders in the community separates them from their peers causing detrimental rifts between youth. This is particularly evident when the youth leaders are tasked with supporting the agenda of the adults who have hand selected them rather than taking on the more urgent needs of the community. Constantly engaging these elite youth undermines the willingness of others to become involved while diminishing the capabilities of the elite youth by spreading their energy, time, and talent too thin. (Clement et al., 2014)

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Efficacy, Victimhood, and Loss of Hope

The broken chain of knowledge transfer coupled with hierarchical teaching institutions not only demotivates urban youth from engaging in the community issues, it actively decreases their ability to do so. Public schools are moving away from democratic methods of teaching and engaging in more hierarchical methods as demands for increased standardized testing changes the climate of education. In this context, youth are offered few opportunities that allow them to build the skills necessary to participate in engaged citizenship. Urban schools, in particular, offer the fewest opportunities for youth to build efficacy. (O'Donoghue & Kirshner, 2003)

In order for youth to successfully affect change they must possess strong communication skills, critical thinking and analysis, creative problem solving skills, understanding of the democratic process, and empathy. (Clement et al., 2014) Coincidentally, these skills are most often gained through arts-based education. (Desai, 2010) Research could be done to examine the extent to which a decrease in the skills associated with civic engagement has occurred since arts programming in public schools has declined. When these skills are not learned or demonstrated, those youth that want to call attention to issues are quickly dismissed by adults in authority or may have a difficult time effectively communicating the urgency or importance in a manner that will gain attention and momentum.

"For young people, a diminished capacity for hope is one of the most significant threats to civic engagement" (Ginwright, 2011). Urban youth are aware of society's perception of them and aware of the inequities that exist between themselves and other youth of differing socioeconomic statuses. They understand that other youth possess more resources and have better opportunities presented to them. Urban youth not only understand that they are the "victim" of their environment, but understand the opportunities to obtain the skills needed to overcome their "perpetrators" are rarely available them. Experiencing that reality on a daily basis has vast potential to destroy hopefulness for a better future for themselves and their families. Garbino speaks of "social toxins," the factors that prevent healthy development in youth, that include violence and abuse, racist systems, unemployment, and lack of proper housing and health care. (Ginwright & James, 2002) When those social toxins are considered to contribute to allostatic trauma, it is easy to understand how youth can become rooted in the present moment, unable to possess future orientation or hope.

As urban youth allow the perceptions of others to color how they view themselves, as they struggle to make themselves heard and understood, as they see themselves as powerless to affect change, they can quickly slide into an ever looming sense of victimhood. As the victim, they will no longer seek avenues to confront and challenge broken systems. They will simply begin to exist within the broken systems allowing the policies to continue to perpetuate injustice and inequity. Once one sees oneself as a victim of the environmental issues surrounding his or her life, it is difficult to break out of cycles of victimhood.

Despite these many obstacles, sparks of hope for a better future remain with urban youth though they have every reason to be cynical. (Kirshner et al., 2002) Those seeking to enlist urban youth in participating in social change and civic engagement must capitalize on those sparks of hope. Dr. Babatunde Osotimehim has said that youth "have the potential to disrupt inertia and be the most creative forces for social change." For those leaders wanting to engage youth in critical social change, they must be willing to facilitate not only the projects that could affect change, but be willing to dig deeply into the roots of the problem, reach way down into the hurts of the child, and provide some healing at a personal level, before preparing the child to heal the hurts of the community.

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Overcoming Barriers to Civic Engagement Using the Arts

Jim Borling, a music therapist and professor at Radford College in Virginia, peppers his lectures with personal anecdotes that perfectly illustrate his point. During an arts in healing lecture, he shared the story of his field work prior to becoming a licensed therapist. He was meeting with his clients and beginning to feel that they were all unable to move forward. No matter what method he tried or where he attempted to steer the conversation, the clients simply could not progress. Sharing his frustrations with his mentor, he was reminded that his clients can only go as far as he had gone for himself. Clearly, he needed to get back into some therapy of his own and work through something for himself so that he could move others forward alongside him. What a powerful metaphor for this work with urban youth. If the youth of a community are angry and hopeless, how can they be expected to affect change? If the wounds have turned to scars, how can they move others forward?

If civic engagement is understood partly as the process of instilling hope and healing to the community at large, the amount of change that can be hoped for is proportionately connected to the amount of hope and healing experienced by the participants. For that reason, it is critical that the community artist first address the underlying causes for barriers to critical engagement for youth, and work towards building a strong foundation. The arts provide many natural mechanisms that instill hope and healing through the creative process. For every barrier experienced by an urban youth desiring to become civically engaged, the arts respond to counter that obstacle.

Self-Identify

Paolo Freire referred to the process in which individuals and communities are persuaded to adopt the inaccurate stereotypes assigned by their oppressors as "internalization of the oppressor." (Freire, 1968) Through the arts, urban youth are able to reclaim their cultural rights and identity by making and celebrating artwork that is native and traditional of their culture. They become empowered by discarding the self-images forced on themselves by others and embracing those aspects of self that make them unique and powerful. By reclaiming one's identity, "individuals and community can meet as equals - different and yet the same" (Goldbard, 2006).

Alienation and Isolation

Art-making offers common ground for people of all walks of life to come together and create; combatting the disconnection of youth to adults or ethnic groups. Intergenerational art-making reduces "generational prejudice" and creates an environment where trust can be built and values shared. (Whiteland, 2012) Intercultural art-making can reduce marginalization by helping participants see others in a different light, begin to better understand other's emotions, and regard others at a deeper level than their race, ethnicity, or social class. (Cooper & Sjostrom, 2006; Rubin 1997). Collaborative art-making allows participants to "externalise their stereotypes, exchange thoughts and ideas on diversity and democracy, and empathise with the others" (Hajisoterious & Angelides, 2014). Any arts discipline may be considered to do so, but art-making done for the sake of overcoming alienation and isolation should aim to build understanding and trust between groups and form stronger community bonds that overcome differences.

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Efficacy

While art-making should stress self-expression, at any and every opportunity for art-making, arts skills must be taught and explored. Whenever possible, professional teaching artists should become involved so that the skills taught are of a high level of quality. Mastery of art skills translates to confidence in other skills. (Catterall & Peppler, 2007) However, differing art disciplines may be better suited than others for building certain skill sets. Writing and reciting poetry or raps increase both written and verbal language skills. Participating in improvisational drama activities encourage quick thinking and negotiation skills. Choreography and music composition support critical thinking and creative problem solving skills. (Camilleri, 2007)

Knowledge of Issue

Too often, urban youth face a plethora of adversity without knowledge or understanding of the root of the problem. Viewing artwork, films, and plays or listening to poetry and songs that represent periods of conflict not only teaches youth about historical events, but assists them in interpreting and absorbing the emotional reaction to the event. History lessons taught in school rarely explore the spiritual or emotional response to events making it difficult to critically "look at their own biases and how oppression gets internalized and embodied" (Desai, 2010, p. 174). Additionally, community artists make history learning more dynamic and interactive through participatory action research that encourages dialogue with family members and neighbors. (Goldbard, 2006)

Victimhood and Loss of Hope

Urban youth can retain the victim identity and hopelessness when they blame society for their problems and lack agency and efficacy. Collaborative art-making allows participants to see that their adversities are shared and that collectively, they have the resources necessary to address these shared adversities. Additionally, art-making is empowering and prompts youth to reimagine themselves based on their assets and strengths. (Huss, 2015)

Through the process of healing, hope can be reclaimed. Youth can begin to envision positive outcomes for their future when they are uplifted from their oppressive present. Art-making is a hope-infused experience when it incorporates aspects of future orientation, positive expectation, intentionality, initiative, realism, goal-setting, and interconnectedness. (Benzein & Saveman, 1998) By being intentional to include aspects of hope and healing, facilitators of urban youth civic engagement can help to develop a microcosm of a healthy community within the participating group that then serves as a model for affecting social change on a larger scale.

These arts-based responses to civic engagement barriers offer piecemeal opportunities to shift the dynamic from powerless to powerful. They foster the "capacity to see, cultivate and use power a community didn't know it had" (Borrup, 2006, p. 14). Table 1 offers suggestions for specific arts- based responses to barriers. Where art-making and civic engagement intersect, higher levels of effective social change occur. (Borrup, 2006) Yet, to truly develop urban youth into effective change agents, an entirely holistic approach must be employed. Through this holistic approach, urban youth can see their way forward to not only healing from the social toxins, but transforming their social environments.

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Table 1. Arts-based responses to overcoming barriers

Barrier	Response	Outcome
Identity	• Identity collage using media images, sounds, and videos. • Reading books or watching plays/films where identity is celebrated. • Creating imagery, movement, sounds that depict overcoming adversity. • Art-making that focuses on positive attributes, strengths. • Engage in art forms native to culture.	• Feeling inclusive of something bigger than oneself. • Empathy or understanding of another culture is developed. • Creative ideas are rewarded and celebrated. • Improved image of youth among general public. • Sense of pride in identity and empowerment of self.
Alienation & Isolation	• Intergenerational or intercultural art-making. • Collaboratively creating choreography, mural, poem. • Performing or exhibiting traditional ethnic art.	• Cross cultural relationships formed among youth. • Enter fully into roles as co-directors of the project. • Engagement of extremely marginalized youth. • Increased diversity in community dialogue.
Efficacy	• Song or poetry writing. • Non-verbal communication opportunities such as movement or painting. • Writing or acting plays, improvisional games. • Sharing personal responses to artwork and art-making experiences; sometimes defending points of view.	• Marketable job skills gained. • Ability to imagine creative and innovative solutions to community problems. • Critical thinking and creative problem solving skills gained. • Influencing publicpolicy, particularly in regards to needs of youth.
Knowledge of issue	• Experience art forms surrounding issues of injustice or oppression. • Perform plays that invite the audience to interact with the issue at hand. • Role playing characters and situations of historical events.	• Opportunities to address issues that directly affect youth lives. • Broaden historical and cultural knowledge. • Empathy for suffering of others.
Loss of hope	• Creating imagery around future, successful event. • Creating imagery, songs, or plays that offer advise to others facing adversity. • Art-making focused on positive emotions.	• Gained belief in one's capabilities to find pathways to a goal. • Gain belief in one's ability to initiate and sustain movement towards goals. • Sense of life purpose and optimism about social change.

CREATING A CONCEPTUAL FRAMEWORK

Elizabeth Beaumont suggests four pathways for developing strong capacities for civic engagement. The first pathway is to offer opportunities for skill mastery, particularly in the political arena. The second is to strengthen efficacy and involvement through the use of practice models. Next, work should focus on building positive relationships and networks between youth and from youth to adults. Finally, interactions between adults and youth should foster hope and perseverance. (2010) Shawn Ginwright further posits that in order for urban youth to affect meaningful civic engagement and social change, they must first enter through the healing process in order to gain hope. He believes that community organizations can provide pathways to critical consciousness, action, and well-being. Urban youth must gain awareness of the roots of social injustices, "claim power" over discouraging individual and community issues and create conditions that foster healthier development and higher quality of life. (2011)

The arts naturally incorporate the many avenues through which urban youth can overcome their barriers to civic engagement while experiencing healing from social toxins and building skills needed for social transformation. Corbitt and Nix-Early write that the power of the creative experience is its ability to facilitate resilience, increase agency and efficacy and provide the ability to discern choice and pathways for problem solving while offering hope and healing. (2014) The following conceptual framework is specifically designed to offer growth in artistic, academic, and social skills while using art as a symbol or metaphor for transformation. Used in conjunction with the civic engagement process, this model deepens the engagement from something "cosmetic" towards that of systemic change. Simultaneously these arts explorations offer room for personal transformation creating lifelong agents of change and social justice.

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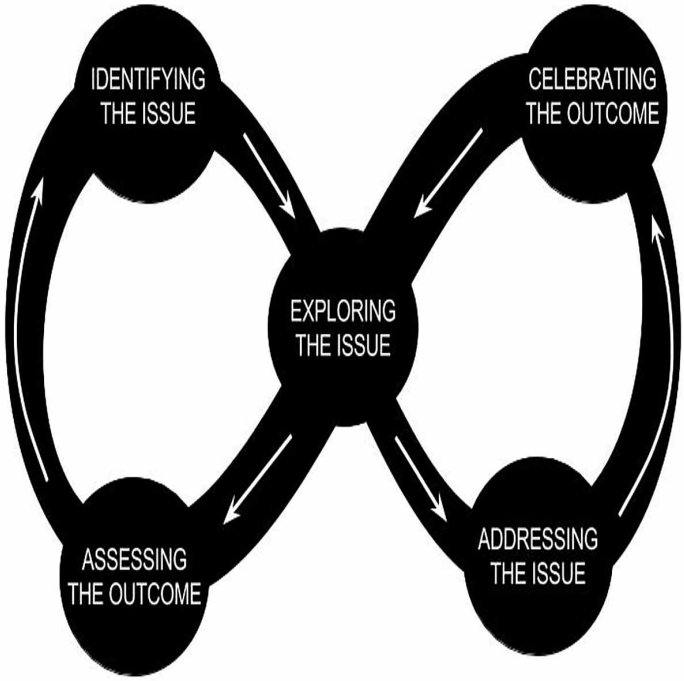
Suggested Framework

The civic engagement process is often broken into two to six stages, usually containing at least an issue identification step and a response design step. Many see the process as cyclical or a spiral; while assessing the results of the response to the initial issue, another issue surfaces and the process begins again. Arts-based civic engagement with urban youth would follow a similar process, including five main steps. First youth would identify the issue and then the process should be explored to understand its systemic or historical roots followed by a designed response to the issue. Once the project goals have been reached, a celebration should occur while longer term goals are assessed further away from the end of the project. Figure 1 demonstrates this process overlaid on an infinity sign to demonstrate the continual need for civic engagement. In some cases, the "exploring the issue" stage may happen twice both to inform the response design as well as the outcome assessment.

Identifying the Issue

For youth to successfully see this process to the end, they must be allowed to identify the issue or issues they are most moved by and willing to address. The issue may be raised unexpectedly and organically with adult leaders then willing to commit to the process. Alternatively, a specific issue may be identified after a group of youth have already been brought together for the purpose of engaging its community in transformation.

Figure 1. Arts-based civic engagement conceptual model



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Exploring the Issue

When working with youth, this stage is the most critical. Two things should be occurring simultaneously during this stage. A deep exploration of the roots of the issue should occur while being mindful to process the reaction to the newly learned information. At the same time, personal growth of the youth should be encouraged. Opportunities for mastering skills, regaining hope, or finding an empathetic response should be presented during this stage.

Addressing the Issue

Designing a response to the issue will occur during this stage. Additional assets should be identified as well as any other partnerships or persons to be involved. Adults involved in the process should help to facilitate the planning, being cautious to not interject their own ideas or agenda.

Celebrating the Outcome

Each celebration should bring the larger community together to see and share in all that the youth have accomplished along the way. It may be an opportunity to further educate the community and potentially ignite a spark for a greater number of community members to join in the civic engagement process. In the celebrating, confidence and hope are amplified, powering the next cycle of transformative community change.

Assessing the Outcomes

After an appropriate amount of time, an assessment of the outcomes should be conducted to determine if the goals and results sought have been attained. Sharing the assessment findings with stakeholders and policy makers encourages continued policy reform and open channels of communication.

Infusing Holism

As outlined above, this engagement process is no different than any other. However, where it may differ to create a more holistic process is the inclusion of the following elements. Intentionally injecting these elements into the outline process effectively removes barriers preventing engagement, provides opportunities for skill mastery and efficacy, reignites hope, and offers healing through positive relationship building. Youth participating in this engagement process as outlined in entirety have consistently recognized their personal power and ability to be change agents, moving towards a better quality of life while lifting up others alongside them.

Trauma Informed Safe Spaces

Urban youth exposed to social toxins and environmental stressors likely exhibit trauma or stress symptoms that may appear as maladaptive behaviors. Trauma informed care involves understanding and being responsive to the effects of trauma and the symptoms it causes. It provides physical, psychological, and emotional safety for both youth and those leading them in order to prevent opportunities of being

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re-traumatized. In a trauma informed environment, trauma survivors are provided space to "rebuild a sense of control and empowerment" ("Trauma informed care," n.d.). When taking on civic engagement projects with urban youth, it is of critical importance to remember that the social issues being confronted are often the same issues responsible for traumatizing youth.

Self-expression and creative exploration are more likely to succeed in a space where youth feel secure enough to take risks. "Spaces of meaning, recognition and comfort 'restore a sense of possibility for themselves and their peers'" (Borrup, 2006, p. 94). Painting a mural together in the space or decorating the space with youth created artwork will infuse the space with creative energy and a sense of ownership and pride.

Safe spaces consider the physical, psychological, and emotional safety of those who enter. All aspects of safety can be established through clear behavioral expectations and boundaries. These expectations decrease chances for re-traumatizing youth while increasing opportunities for youth to share with others. Trust and intimacy build community, but is often difficult to accomplish when working with a vulnerable population.

A simple, yet powerful, method for creating safe spaces is the incorporation of ritual or routine into the space. Committing to a ritual or routine at every community meeting assures attendees that the meeting will be predictable, helps to mitigate anxiety, and provides the space needed for honest self-expression. Structured art activities provide boundaries and routine. Opening and closing of sessions involving voice and movement create predictability and intimacy. (Camilleri, 2007, p. 68).

Arts-Integrated Learning

Arts-integrated learning goes beyond simply providing access to arts education or supplies. Rather, arts-integrated learning uses the arts as a vehicle for exploring new information or subjects. Youth engaged in arts-integrated activities use the creative process to gain skills and knowledge in both the art form and another subject in order to forge a deeper understanding. Arts-integrated learning allows youth to build on their strengths and assets, provide experiences that lead to skill mastery, facilitate emotional growth and empathy, and promote positive interactions with peers and adults. (Borrup, 2006; Corbitt & Nix-Early, 2014) Arts-integrated methods and classrooms not only assist youth with developing skills needed for effective social change, they reawaken their creativity in order to imagine a more positive future for themselves and reestablish hope.

Youth Centered

Youth centered learning does not rely on hierarchical methods of teaching, but rather fosters discovery and exploration, in this particular instance, through the art-making process. "De-centering of knowledge and authority in teaching strategies changes the dynamic of a traditional power structure in a learning environment and creates new opportunities for marginalized students to be empowered to participate in the learning process." (Holloway & LeCompte, 2001) Youth centered learning also draws on the inherent strengths and abilities of youth while taking into consideration developmental milestones. (Corbitt & Nix-Early, 2014) Work in this capacity is centered on the needs and concerns of the youth, not the agenda of the leadership. (Goldbard, 2006) In this manner, youth begin to understand that their voice and ideas are valued and they can contribute in a meaningful way to discussions surrounding social issues and resolutions.

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Symbolic Acts of Transformation

The use of art as a metaphor for life is prevalent in arts-based civic engagement. Artwork may offer a metaphor to an issue being explored or addressed while the process of art-making serves as a symbol of the transformation experienced by the art maker or community. Considering the metaphor contained within art urges youth to think critically or differently about situations and events, and how that information may be applicable to present situations and reactions. Using art as a metaphor for life serves to build pathways to critical consciousness.

Culturally Sensitive and Inclusive

Simply put, marginalized youth are usually marginalized because of their cultural background. When working with urban youth, it is important to meet them where they are. This means holding classes in their neighborhood and understanding where they are developmentally while also being sensitive to their cultural values and background. Including elements and traditions rooted in their culture (consider both their ethnic culture and youth pop culture), reinforces the concept that their identity is an asset to be valued and has a place in the process of civic engagement. "By speaking to young people in their language, groups are able to engage marginalized youth in large numbers." (Ginwright & James, 2002, p. 39) For example, hip hop culture, rooted in urban communities, provides a ready platform from which urban youth can both express themselves and call attention to social injustices. (Ginwright & James, 2002)

Goal Oriented

Setting goals for each group meeting with youth is important and differs significantly from having leadership arrive with an "agenda." Community or teaching artists should arrive to meetings with definitive goals in mind in order to keep the process moving forward, even if forward means going sideways or backwards in order to arrive at a shared place. Setting goals has two purposes. First, by setting goals and outcomes, youth are working within a future orientation frame of reference. Future orientation is a critical aspect of increasing hope. Second, setting goals necessitates planning. Planning provides opportunities for youth to build necessary skills and confidence in their skills to be successful in their change campaign and evaluate whether objectives were met.

Positive Interactions

Empowering youth begins with positive interactions between one another and between youth and adults. Positive interactions reaffirm self-identity, provide opportunities for healing, and develop hope for a better life. Creative expression creates a "multidimensional experience" and builds relationships between participants. (Camilleri, 2007, p.66) Much social bridging occurs while hands are busy creating, defenses are distracted and conversation can freely flow. Community artists or group leaders can further encourage relational growth by offering affirmation and valuing the contributions of youth and imagining how such talents will lead to future successes. (Corbitt & Nix-Early, 2014)

The following case studies help to illustrate various aspects of this conceptual framework. Each case study provides background information surrounding the issues being addressed while outlining both the

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strategies employed and goals attained. The inclusion of all elements listed above may not be necessary in all cases or even appropriate at times. Community or teaching artists should take measures to properly prepare themselves for work with each differing group of youth in order to best serve the community.

CASE STUDY ONE: A HOME FOR THE HOMELESS

Background

With river and rail travel making access easy to Philadelphia, Norristown at its height, was an industrial, banking, and retail center. Once the prosperous county seat with a thriving economy, the 1970's building of a large shopping mall in the neighboring town sent Norristown's economy into a downward spiral from which it has never fully recovered. The community is comprised of a highly socioeconomically and racially diverse population, though nearly a quarter of its 34,000 residents live at or below the federal poverty line. Intergenerational poverty plagues many families leaving children highly susceptible to adverse childhood experiences.

Tucked into the lower level of a church on the west end of Norristown, ACPPA Community Art Center offers a safe and welcoming environment for neighborhood youth. Since its inception in 2006, ACPPA has strived to be a model organization utilizing best practices in the field of community arts. The organization's various programs use the arts as a vehicle for creative self-development and community revitalization. Understanding the therapeutic qualities of art-making, the teaching model developed by the artists of ACPPA offers a holistic approach to creative explorations. Classes and programming balance intensive learning of artistic skills and techniques with academic, character, and social skills. Students are encouraged to become creative problem solvers and critical thinkers while seeking opportunities to engage the community at large.

Identifying the Problem

Quite unexpectedly during a field trip with their summer arts camp, youth stumbled upon the makeshift shelters of several homeless people while exploring the wooded area around the river. When they returned to the community art center, they excitedly shared their news of finding a "hobo's home." A maladaptive response to the trauma experienced in their lives, these youth were quick to dehumanize others and reluctant to invest emotional energy in strangers. A debriefing of the trip provided a moment to explore their attitudes toward homelessness and their knowledge of its root causes. The shift from the hobo caricature to a reality of a person who had lost their home began to elicit feelings of sorrow and compassion.

Though many of the youth face life challenges typically associated with distressed urban neighborhoods, none had ever faced homelessness. They could not grasp why anyone would "choose" to live out of doors. Yet they felt compelled to do something that would better the quality of life for those living near the river.

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Exploring the Problem

The youth requested to revisit the makeshift shelters in the woods in the hopes of meeting the inhabitants. On the return trip, the youth met a man as they hiked through the woods who introduced himself as Billy. Billy seemed comfortable speaking with the youth and reveled in sharing with them his survival techniques shutting down only when one child pointedly asked how he had become homeless. The debrief from this trip included drawings and sketches depicting the thoughts and emotions experienced during their conversations with Billy.

The following week, the art center invited caseworkers from a local homeless shelter to visit with the camp. They brought paintings and photographs created by the shelter's residents that helped to illustrate some of the causes behind homelessness. These conversations and explorations were becoming increasingly difficult for the youth as they began to realize how many stories were similar to their own families' struggles. To quell the anxiety rising in the youth, teaching artists provided safety mandalas for everyone to complete at the end of the session, reminding youth of all of the positive aspects and resources also available to them.

Addressing the Problem

Following several weeks of exploring the roots of homelessness, this group of urban youth proposed a project that would raise awareness about issues of homelessness in their community and provide support for homeless community members. The youth had learned that a large challenge facing the homeless sleeping out of doors was the ability to carry enough blankets to stay warm on cold nights and dry in the rain. They adopted a project that many other youth across the country had been doing for some time: crocheting strips of plastic grocery bags together to make lightweight, water resistant sleeping mats.

Over the following year, they youth recruited many neighbors and family members to collect grocery bags and cut them into strips. They invited mothers and grandmothers to crochet the strips together, eventually learning how to crochet themselves and making their own sleeping mats. As each mat was finished, color cards with messages of hope and friendship were attached before the mat was passed along to someone in need.

- **Strategies Used:**
  - Using arts explorations to understand root problems/challenges associated with homelessness.
  - Using arts explorations to reinforce positive assets of youth to mitigate potential stress response to difficult discussions.
  - Forming a partnership between the community art center and local homeless shelter.
  - Creating new resources by upcycling found materials and mastering crochet techniques.
  - Creating opportunities to engage with older community members.
- **Community Outcomes:**
  - Public awareness was heightened around homelessness.
  - Homeless community members provided with convenient and comfortable bedding.
  - Encouraged civic engagement by mobilizing neighborhood volunteers.
  - Social bridging across varying generational and socioeconomic groups.
- **Personal Outcomes for Youth:**
  - Developed empathy for a previously under recognized population.

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- Recognized their own role and responsibility to the community.
- Felt empowered to affect change for self by successfully helping others.
- Developed ability to connect with people who are different from themselves.

CASE STUDY TWO: THE VOICE OF HIP HOP

Background

The Philadelphia School District's ongoing financial crisis have left thousands of children with substandard education and few, if any, support services. Over the years, many of its 214 schools were closed perpetuating overcrowding in others. Alongside teachers losing their jobs, many of the "unnecessary" positions of guidance counselor and school nurse were cut as well. Neighborhood schools once considered a community hub have become dangerous as too few adults in the building are left to worry about teens from rival neighborhood groups now under the same roof. Dedicated teachers are doing their best to teach with limited resources but are rarely able to offer students support regarding the insecurities facing their families.

In response, small groups of youth in the city of Philadelphia have been gathering after school to address social toxins through creative writing and beatmaking in a program known as Blackboard Labs (BBL). The mission of BBL is to initiate "social change by empowering Philadelphia youth through innovative creative arts programming rooted in hip-hop culture" (Blackboard Labs, 2010). BBL grew out of a graduate school project that co-founder Jim Wells, conducted with Philadelphia middle school students. The students were writing narratives in rap form that were later overlaid on a beat in order to assist the emergent readers in building their expressive reading and reading fluency. Rather than continue to work in the classroom, Wells felt he could effect more change in an after school setting. After connecting with an arts therapist and a beat-making and music producer, BBL began meeting with students during out of school time hours.

Identifying the Problem

When youth enter the BBL program, the raps that they create are superficial; speaking about ludicrous lifestyles they imagine for themselves when they "make it big." Over time, as trust is built and raps become more personal, the more difficult reality facing the youth is revealed. These students are so tightly wound in their minute to minute and day to day struggles, truly imagining a different future is difficult. The youth that attend BBL sessions are motivated and intelligent young people, but frequently do not complete high school on time, if at all. They see the public school system failing them, unable to cope with the trauma response to their toxic environment while ensuring their growth in the skills and knowledge that could propel them out of the vicious cycle in which they exist.

Exploring the Problem

While the highlight for many of the youth may be the weekly beat-making classes, Blackboard Labs uses the full depth of hip hop to guide youth toward making realizations and connections in their lives. Teaching artists lead explorations of both contemporary and classical hip hop artists, using the work of both to

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discuss the roots of the music as well as the social commentary written into the lyrics. Discussions that delve deeper than the face value of the music allow youth to connect to the hip hop artists and see that they share the same struggles and challenges. After some time, youth begin to hear a pathway towards addressing, changing, and in some instances, overcoming the various forms of oppression in their lives.

During beat-making sessions, students look at their own lives to inspire their lyrics, capturing their own narratives and creating a rhythm to match their story. These sessions help youth find "pro-social ways to express, articulate, and process these experiences" (Blackboard Labs, 2010). Though the teaching artists allow the youth to use any language they feel is necessary to express themselves, when it comes time to record, all lyrics must be "radio edited." Occasionally, an artist of a different media will join in the sessions, bringing cameras or paint to help youth explore their environment from a different angle, adding further depth and perspective to their understanding of the issues.

Community within the youth is grown organically, facilitated by the music and the teaching artists. This safe space allows for a level of intimacy to be reached that encourages the youth to not only truly open up and speak freely about their struggles, but grow in their ability to work through interpersonal problems and resolve conflict.

Addressing the Problem

Imbued in the culture of BBL is the idea that each person's music and talents can be applied for the greater good and each person has a place in and a responsibility to their greater community. BBL stresses the civic responsibility of the youth; involving them in other social justice programs, arranging for them to take part in rallies, and providing opportunities for them to perform their raps and share their messages that desperately need to be heard. At times, their music brings awareness to a specific issue while other times, their presence attracts the attendance of peers at events with a message the youth need to hear. Several times, BBL has performed at the Philadelphia FIGHT'S Hip-Hop For Philly campaign, an event that offers free HIV screenings to youth aged 13 to 24. More recently, the students have been involved in #BlackLivesMatter rallies, strengthening the movement by adding their voices.

However, BBL does not simply place the onus on the youth to be the messengers for their communities. Running parallel to the youth's participation in community events are partnerships with other local organizations that deliver opportunities for youth to expand on the skills they acquire through BBL. These partnerships offer a glimpse of the many career options available in the creative economy that go well beyond just being a rock-star or music mogul. Through lyric writing and beat making, these youth are able to envision a future for themselves while finding the strength and efficacy to affect change for themselves and others.

- **Strategies Used:**
  - Using an artform relevant to the youth to explore issues.
  - Offering potential career paths in the creative economy through exposure to the many aspects of writing, recording, producing, and performing hip hop.
  - Providing a platform from which the youth can perform and have their voices heard.
  - Meeting at schools and community centers, where the youth already are.
  - Connecting youth to artists who share in their struggles but have found ways to survive and thrive.

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- **Community Outcomes:**
  - Increased number of adults hearing the messages of the youth.
  - Community leadership gaining awareness of the state of the school system.
  - More youth becoming engaged in positive, prosocial movements.
- **Personal Outcomes for Youth:**
  - Youth empowered by having their messages heard.
  - Ability to find hope and healing through their artistic explorations.
  - Positive relationships built with peers and teaching artists.
  - Effective communication greatly increased, youth better able to discuss personal and community problems.
  - Interpersonal conflict more readily resolved amicably.

CASE STUDY THREE: CLEANER WATER FOR THE HAVEN OF LOVE

Background

Pastor Ramiro Maldonado founded Remanso de Amor, a school and church in the heart of Argelia Alta, an impoverished community nestled in the hills of southern Quito, Ecuador. Years of endless poverty facing the families of this community have manifested into issues of abuse, mental illness, and alcoholism and drug use. The children who attend Remanso de Amor come from broken homes and often rely on the school to provide necessary nutrition and healthcare.

The houses in this community are cobbled together with whatever materials can be found, many with dogs protecting the home from the roof. More stray dogs roam the neighborhood, knocking over trashcans and spreading trash in the streets in the hopes of finding a meal. The school and church building itself is only partially complete as Pastor Ramiro relies on outside groups to donate necessary funds and work. The third floor of the building does not yet have a roof. Curls of rebar protrude from the top of walls stunted by the lack of funds and volunteers to build any higher.

Yet, the pastor sees hope within his young students and wants to capitalize on that hope and diffuse it through his community. Through a missionary organization in Quito, he learned of BuildaBridge International and requested to have a team visit his school. The group of community artists and arts therapists worked with the pastor to create a weeklong camp for children aged 5 to 12. He was hopeful that this arts-based group would help the community find their inner strength to begin the process of overcoming their many adversities. Appendix 1 offers an abridged version of the curriculum developed in response to concerns as addressed by the youth.

Identifying the Problem

On the first day of the camp immediately following a song that would become the routine opening, the arts team asked the children to lead them on an asset walk of the neighborhood. The children had been asked to point out places or things that made them feel safe or happy as well as to point out places where they felt things could be fixed. The children introduced the team to the many dogs roaming the neighborhood or barking down from rooftops. They pointed out a beautiful playground located next to

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the police station that was not often safe due to the drunks and drug addicts that occupied the park. One teen pointed out a bridge that spanned the nearby highway and led to a gas station and road side shop. It was dangerous to cross the bridge due to thieves that lurked on either side. Throughout the entire walk, the team could not help but notice water spilling into the streets from exposed pipes. The children explained that this was "agua contaminado" (contaminated water). The water that came through the pipes was unsafe to drink. Many pipes were broken under and above ground allowing garbage and dirt to enter the water flow. Safe drinking water could be bought in the local stores, but water from the tap could make a person ill.

Exploring the Problem

Through an arts-based assessment, it was found that while the students had a firm grasp of academic aspects related to water, they were reluctant to indulge their creativity. Knowing that all successful projects begin with identified assets, the team had designed a lesson plan that infused opportunities to be creative into the well understood water cycle. A group dance began to form as the children assigned movement qualities to the various parts of the water cycle. They arranged themselves within the room depending on the state of the molecules in the water. They directed the tempo of the accompanying drum to match the movement of the molecules. Typically, a community artist might use the arts to teach an academic subject; here the opposite occurred. A well understood subject laid the foundation for creative exploration.

Further exploration of the water cycle and how water becomes contaminated included a short skit that was built sentence by sentence, each child contributing the next twist or turn. While a silly story, the process allowed each child to be engaged and included while encouraging creative ways to solve the problems in the story. Camp participants also created watercolor paintings of drops of water as viewed through a microscope. Water for these paintings were collected from a bottle of water, from a spigot at the school, and from water leaking onto the streets from a broken water line. Though these paintings looked harmless in the soft pastel colors of the watercolor paint, a powerful realization of the state of drinking water in the community was no longer an imagined thing.

Addressing the Problem

On the final day of the camp, the arts team revisited the children's community map and their identified concerns. By this time, the youth had become passionate about making their water sources safer for all to drink and wash in. Allowing their re-ignited creativity to guide their ideas, they devised a plan that would decrease the amount of litter falling into the streets and water sources. It educated the community on the effects of drinking unsafe water. The plan was simple, but one that the youth could successfully execute. Fortunately for all involved, a community meeting was scheduled to be held that evening. The older youth were given permission to present to the meeting's attendees on what they had been working on that week and what solutions they were seeking. The information was confidently presented and met with an unexpected, but altogether pleasant surprise. A local business, upon hearing their presentation, offered to purchase several trash cans to be installed in the community. These trash cans were specifically designed to keep stray dogs from knocking the cans over. In celebration, the children were asked to paint the cans in bright colors and patterns to help beautify the neighborhoods and encourage community members to use the new cans.

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- **Strategies Employed:**
  - Using a routine song with movement to build trust and relationships across cultures and languages.
  - Encouraging youth to develop their own solutions through experiential learning and creative problem solving.
  - Using collaborative storytelling to allow each child to have a voice and value their contributions to the group.
  - Using the arts as a way to view identified issues through a different lens.
- **Community Outcomes:**
  - Awareness brought to root of local water contamination.
  - A solution to the trash and litter problem was found.
  - Community leaders were given an opportunity to see the power of young people.
  - Neighborhoods beautified by youth created artwork and decreased litter in streets.
- **Personal Outcomes for Youth:**
  - Youth were reconnected with their own sense of creativity and self-expression.
  - Youth were empowered through positive relationships with artists to effectively communicate with community leaders.
  - Language barriers were broken down by utilizing the arts to communicate.

CONCLUSION

Each case study presents a different population, a different environment, and a different issue to be addressed. Yet all followed a similar process that ended with powerful results. The very same issues that create adversity in the lives of urban youth are often the barriers that stop them from the critical engagement of addressing and resolving societal and community adversity. Chronic adversity begins to fade hope for many as they age but is still likely to exist in the youth. These sparks of hope, however small, make urban youth well positioned to be great catalysts of change. Community artists nurture that opportunity by facilitating safe and creative spaces for urban youth to engage in the arts and gather the necessary skills and knowledge needed for sustained and authentic civic engagement.

Arts-based civic engagement does not limit art-making to the final project, but rather integrates art-making and arts explorations into each and every stage of the process. Why limit the power of the arts to only play the role of social commentator rather than embrace its benefits from the start? Similarly, transformation does not need to wait for policy makers to create new policies, transformation can start within each individual so that self-efficacy can grow towards collective efficacy. Systemic change is only possible when the hearts and minds of individuals have changed. The power of the arts allows urban youth to recognize and accept their potential power as change agents while increasing their sense of self value and worth. Balancing arts explorations with the civic engagement process creates a pathway for generating the powerful, personal transformation necessary to drive successful and sustainable social change.

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KEY TERMS AND DEFINITIONS

Adversity: Issues present in one's life that affect quality of life.

Arts-Based Civic Engagement: In arts-based civic engagement, art-making and the creative process are the vehicle driving the civic engagement process or project. Participants in arts-based civic engagement may either use an arts performance or exhibition to call attention to the issue to be addressed or explore the issue to be addressed through the process of making art.

Civic Engagement: Civic engagement includes those activities that seek to improve the well-being of a community or society in general. Conventionally, civic engagement was often associated with the realm of politics and the ability to influence decision makers through collective action. In a broader sense, civic engagement can be considered any meaningful participation of members of a community working to identity and address issues related to injustice and to effect social change. Civic engagement may include simple tasks such as volunteering with a local organization or voting to community organizing (protests or acts of civil disobedience) for political advocacy.

Community Arts: Art-making in any media, genre, or discipline with the goal of engaging artists with the community to facilitate creative explorations that support development and improve quality of life.

Hope: The expectation of positive outcomes related to events or circumstances.

Social Toxins: Chronic instances of adversity rooted in social injustices that prevent healthy development.

Urban Youth: For the purpose of this chapter, urban youth will be defined as young people between the ages of 12 and 18 living in an urban context. While significant diversity exists in urban communities, the contents of this chapter offer a greater scale of influence for those youth living in distressed neighborhoods and are consistently marginalized from society due to race, income, and lacking opportunities.

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APPENDIX: RESPONDING TO ISSUES OF WATER

This curriculum was developed by Amy Grebe and Jenny Bopp specifically in response to water issues as identified by youth in Argelia Alta, Ecuador. While the entire curriculum is not included here, this abridged version should offer an in depth look at the identification and exploration stages of an arts-based civic engagement process. This was designed to be easily replicated in other areas with non-potable water.

Curricular Outcomes

- **Academic Goals:**
  - Youth will understand the water cycle and forms of water.
  - Youth will understand ways in which water can be life giving and life taking.
- **Artistic Goals:**
  - Youth will explore movement qualities and apply the qualities to appropriate situations.
  - Youth will explore watercolor painting as a form of expression.
  - Youth will understand elements of stories.
  - Youth will create and dramatize a story using structured improvisation
- **Civic Engagement Goals:**
  - Youth will identify resources and issues within their community.
  - Youth will understand the root cause of the identified issue.
  - Youth will develop a sustainable solution/project to address local water issues.
  - Youth will present their project to community leaders.

Day One: Transect Walk and Mapping

- **Materials Needed:** Blank paper, pen and pencils; raindrop papers, markers or colored pencils; large board or paper.
- **Opening Ritual:**
  - Each person entering the space should be greeted at the entrance. If no physical entrance exists in the space, create a symbolic threshold that signifies where each person should enter the safe space. Greetings may include handshakes, high fives, cheek kisses, or other forms of physical greeting that are culturally acceptable and only if it is appropriate.
  - Gathering all participants in a circle, lead group through song with movement. This song will be used at the opening of every meeting moving forward.
  - Working together, create rules that promote physical and emotional safety that are agreed upon by the entire group.
- **Transect Walk and Mapping:**
  - **Before the Walk:** Explain that the entire group is going on a walk to identify both the assets and the needs of the community. Decide on a route that is both walkable within a short amount of time and is representative of the local community. During this walk, everyone should be taking note of and recording the following things:
    - Places or items that promote safety.

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        - People in the community who are leaders that may be met along the way.
        - Resources available to the community (churches, schools, stores, police, etc.).
        - Places or items that are unsafe.
    - **During the Walk:** Depending upon size of group, it may be best to divide into smaller subgroups with one recorder taking notes per group. Walk slowly and stop frequently along the route to both record what has been noticed as well as to speak with people met along the way. It is important that everyone who wants to contribute be included in this process.
    - **After the Walk:** Using a large surface or projector, create a master map capturing observations made by all during the walk. Analyze the map as a group looking at the collective resources and community issues that could be addressed. Determine which of the identified issues might be something that the group could address.
- **Arts-Based Assessment:** In order to best serve youth and understand how to "meet them where they are", some form of assessment should take place. The assessment should be designed to measure skill, knowledge, or attitude in relationship to the general desired outcome of the project or process. The assessment may be made in any form of art and can have an informal evaluation or a formal, detailed rubric. Give each youth a sheet of paper with a large, empty raindrop along with colored pencils. Ask youth to "draw the story of this raindrop" on the paper.
- **Closing Ritual:** Gather everyone in a circle again. Repeat the rules that were decided on earlier in the day. Read the group motto together (this can be something that was brought by the group facilitators or something created as a group).

Day Two: Water Cycle

- **Materials Needed:** Handouts that illustrate water cycle
- **Art Skills:** Elements of dance, choreography
- **Academic Skills:** Water cycle, forms of water, differing molecular states
- **Metaphor:** Sometimes unhealthy things enter our lives and become disruptive or cause change.
- **Opening Ritual:**
    - Greet everyone at the door.
    - Gather in the circle for opening song and rule review.
- **Opening Discussion - What Is the Water Cycle:**
    - **Explore Water Cycle:** Discuss water forms of liquid and gas and how water molecules interact in differing states
- **Creative Exploration - Create a Water Cycle Dance:**
    - **Create:** Youth assign a movement to represent each stage of the cycle:
        - Explore and incorporate different movement qualities (sharp vs. soft, choppy vs. smooth, etc.) as well as levels and space.
        - Link movements as a sequence to show transition through cycle.
        - All students perform movements together.
    - **Link to Issue:** Ask: How might the water cycle be affected in your community? (What might the water molecules pick up along their route? Where might the cycle be stopped?)
    - **Re-Create:** Youth will redesign the dance with added characters, differing movements, change in sequence to incorporate local issues related to water cycle

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- **Closing Ritual:** Gather everyone in a circle again. Repeat safe spaces group rules. Read the group motto together.

Day Three: Water Is Life Giving

- **Materials Needed:** Painting featuring water to be shared; watercolor paints, pencils; brushes, paper; large paper or board.
- **Art Skills:** Watercolor painting, storytelling, structured dramatic improvisation.
- **Academics:** Life giving properties of water; story questions.
- **Metaphor Presented:** One will always be given the opportunity to write the next part of their story. How one chooses to write it is entirely up to oneself.
- **Opening Ritual:**
  - Greet everyone at the door.
  - Gather in the circle for opening song and rule review.
- **Opening Discussion - Water Is Life Giving**
  - Introduce *Village XVIII* painting by Chitra Vaidya; ask "what do you see?" Follow up with additional questions based on responses.
  - Ask "how does water give life?" Follow up with additional questions based on responses.
  - Present water is life giving facts.
  - Ask "what part or parts of the water cycle can be life giving?" Follow up with additional questions based on responses.
  - **Creative Response:** Using pencil and water colors, create a painting that depicts how water gives life in one's family or community.
- **Creative Exploration - Storytelling through Drama:**
  - Review the questions answered by stories (who, what, where, when, why).
  - Review water cycle dance and story from previous day to determine how these questions may have been answered by the dance.
  - Introduce structured improvisation:
    - Have youth sit in a circle.
    - Invite one youth to be the recorder.
    - Facilitator begins the story with "Once upon a time, this drop of water fell from the sky..."
    - Working around the circle, each youth will have the opportunity to add on to the story.
    - Allow story to go in any direction but review rules for safe spaces prior to remind youth to keep the story appropriate.
    - Have recorder repeat story in entirety back to group.
    - Revisit story questions and apply to story just created.
- **Conclusion/Summary:** Share watercolor paintings. How are they alike, how are they different?
- **Closing Ritual:** Gather everyone in a circle again. Repeat safe spaces group rules. Read the group motto together.

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Final Day: Youth Project Creation

- **Materials Needed:** Items needed to display artwork.
- **Opening Ritual:**
  - Greet everyone at the door.
  - Gather in the circle for opening song and rule review.
- **Assessment:** Present youth with same water drop assessment sheet and give the same prompt, "draw the story of this raindrop"
- **Opening Discussion - How Can We Solve Our Water Problems:**
  - Review the issues in the community surrounding water.
  - Brainstorm ideas for creative ways to solve the water related issues.
  - Determine resources needed to effect needed change.
  - Develop a procedure to bring about the change. Project should be able to answer same questions as presented with stories as well as define clear benchmarks for success.
  - Determine the most appropriate audience for the project plan for greatest rate of success.
- **Creative Exploration - Celebration of Art-Making:**
  - Additional community members and leaders should be invited to the celebration. All visual artwork and community map should be exhibited.
  - Begin celebration with demonstration of opening ritual. Youth will then perform water cycle dance and dramatized water drop story. Facilitator will celebrate each participant with a few words of recognition of their special assets and abilities. Audience members will be invited to discuss what they have seen and how it relates to community issues.
  - The youth will close the celebration by sharing their project idea with the community, outlining the procedure, resources needed, and benchmarks for success.
- **Closing Ritual:** Gather everyone in a circle again, including audience members. Repeat safe spaces group rules. Read the group motto together.

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Chapter 38
Meaningful Youth Engagement Through Media Usage

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ABSTRACT

Guided by the literature on youth engagement and media studies globally, this conceptual article examines the key engagement-related notions involving youth and media usage. A central argument of the article is that meaningful youth engagement can be considered a key concept in describing youth's use of hybrid media that reflects the diversity of youth populations and their media usage. Specifically, such media-involved youth engagement can be seen as an important meaning-making activity within youth's lives that can potentially build social and cultural capital, including through social relationships and youth-led political activism. Aligned theoretically with positive youth development (PYD) and social justice youth development (SJYD) frameworks, this article suggests that youth's hybrid media usage can be seen as a meaningful youth-engagement activity that can provide opportunities to promote skills/competences leading to positive development, and to address human rights and other social justice issues in an empowered, meaningful way.

INTRODUCTION

Occasioned by the rise of new media, engaging youth in the practice of civic involvement has important implications in our increasingly global society. Guided by the current literature on youth engagement and media studies, this paper examines the key engagement-related concepts involving youth and media usage. In particular, the paper provides critical analyses and interpretations of the outcomes/learnings from local, regional, national, and international case studies on youth engagement through the use of media. Specifically, attention is given to how new and traditional media is being applied to youth engagement in international socio-cultural contexts.

A key argument emphasized in this paper is that hybrid forms of communications through digital and social media, face-to-face interactions, and traditional media can promote youth engagement, in which relationship-building (both within youth and between youth and adults) is a critical concept. Another

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main argument is that appreciation of the diversity of youth populations and their media usage from an intersectional perspective is essential to better understand the ways in which youth are engaged via media that can provide meaning-making, for example, on identity and cultural issues. Briefly, an intersectional framework addresses the complex ways in which the key axes of power in society (e.g., gender, race/ethnicity, class, ability, sexual orientation) intersect with each other (Crenshaw, 1995; Garnets, 2002; Iglesias & Cormier, 2002). In addition, the paper suggests that youth engagement through media usage can help build global social relationships and social and cultural capital and can facilitate a youth-led transformation of our society to address social justice issues. Importantly, such multi-media usage can provide youth with creative outlets for civic engagement, community connections, and meaning-making within their lives.

Furthermore, this paper posits that meaningful youth engagement is a key concept for both positive youth development (PYD; Alicea et al., 2012; Delgado, 2002; Lind, 2008) and social justice youth development (SJYD; Cammarota, 2011; Gharabaghi & Anderson-Nathe, 2012; Ross, 2011) and facilitates social/system change to more effectively support youth (Blanchet-Cohen & Salazar, 2009; Davidson et al., 2010; Yohalem & Martin, 2007; Wexler et al., 2009). Indeed, the integration of PYD and SJYD is proposed applicable to the use of hybrid forms of communications to promote youth engagement and development by appreciating the diversity of youth populations and their media usage (from an intersectional perspective), and by promoting meaning-making and social and cultural capital, and to facilitate a youth-led/guided transformation of our society to address social justice issues. Importantly, the power of youth in social change should not be underestimated, and this role can be effectively promoted by the use of hybrid forms of communications for youth engagement.

Accordingly, the paper addresses such concepts as intersectionality, meaning-making, and global social relationships and social and cultural capital to appreciate the diversity in the types and forms of youth engagement through media usage. Before describing each of these key concepts, the paper begins with summarizing a framework of PYD and SJYD and then providing insights into the role of various forms of media in youth engagement broadly.

POSITIVE YOUTH DEVELOPMENT (PYD) AND SOCIAL JUSTICE YOUTH DEVELOPMENT (SJYD)

Youth's media usage is seen as a key youth-engagement activity, which has significant implications for youth development (Conner & Slattery, 2014; Dedman, 2011; Garcia et al., 2015; Kahne et al., 2012). Two of the most popular concepts concerning youth development include positive youth development (PYD; Alicea et al., 2012; Delgado, 2002; Lind, 2008) and social justice youth development (SJYD; Cammarota, 2011; Gharabaghi & Anderson-Nathe, 2012; Ross, 2011). First, PYD seeks to promote a variety of developmental competencies that young people need at individual, social, and system levels to become productive, contributing members of society (Alicea et al., 2012; Ersing, 2009; Lind, 2008; Yohalem & Martin, 2007). Rather than a pathological focus, PYD adopts a holistic view of development, giving attention to youth's physical, personal, social, emotional, intellectual, and spiritual development, and emphasizes the strengths, resources, and potentials of youth (Alicea et al., 2012; Ersing, 2009; Lind, 2008; Yohalem & Martin, 2007).

Second, SJYD involves youth's awareness of their personal potential, community responsibility, and broader humanity, and the engagement in social justice activities that counter oppressive conditions (Cam-

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marota, 2011; Gharabaghi & Anderson-Nathe, 2012; Ginwright & James, 2002; Ross, 2011). Specifically, SJYD involves a critical analysis of social, economic, and political factors including race, gender, class, and culture, and addresses the systemic root causes of community problems (Suleiman, Soleimanpour, & London, 2006; Wilson et al., 2006). Importantly, the integration of PYD and SJYD conceptually supports the vital role of youth as a proactive agent for changes at personal (e.g., self-identity; constructive behaviours), social (e.g., advocacy for social change), and community (e.g., policy and practice change from social justice perspectives) levels (Ross, 2011). Accordingly, these two concepts are considered as a key framework throughout the paper.

THE ROLE OF "HYBRID" MEDIA IN YOUTH ENGAGEMENT

Research has shown that the optimal use of digital and social media can complement and strengthen face-to-face interactions and traditional media, supporting the role of hybrid forms of communications in promoting youth engagement. These hybrid forms of communications can promote meaningful youth engagement and activism, in which relationship-building (both within youth and between youth and adults) is a critical concept.

Specifically, hybrid communication methods including various forms of politically driven, nonpolitical interest-driven, and friendship-driven online participation have been shown to promote youth engagement and youth activism (e.g., Chan & Guo, 2013; Kahne et al., 2011; Xenos et al., 2014). For example, Conner and Slattery (2014) reported the efforts of the Philadelphia Student Union, using the youth-led hybridization principle of social movements that combine online/new/informal and real-world/traditional/formal activism. In particular, their study showed how "youth organizing" through the use of new media offers a bridge across the three divines (the academic achievement gap, the digital participation gap, and the civic engagement gap) and facilitates the digital literacy, civic engagement, and academic achievement of low-income youth of color who might otherwise experience limited opportunities in these domains. Youth organizing refers to "a strategy that trains young people to engage in collective action to improve the institutions in their communities that directly affect them" (Conner & Slattery, 2014; p. 18). Youth organizing has implications for youth engagement and public involvement through hybrid forms of communications and activism, showing the power of youth in capacity-building and social change in line with PYD and SJYD frameworks.

The importance of hybrid media systems and public spaces is further demonstrated through the use of different media platforms and online and offline spaces that reinforce one another and promote youth engagement and youth-led social and political movements. Sloam's (2014) paper reported such importance using four case studies to examine the role that the Internet and new media have played in the political mobilization of young Europeans. Specifically, four case studies (in Germany, Italy, Portugal, and Spain) highlighted the stories of young, highly educated 'stand-by citizens' who have become activated by crises of youth unemployment, frustration with politics and public policy, and anger with corporate greed into 'digitally networked action' utilizing new technology platforms. The new media also provided a central tool to directly appeal to citizens (particularly, the young and highly educated) and facilitate youth-oriented movements in the digital age without having to play by the rules of the old media or channel their energies through established political institutions (Sloam, 2014).

Also, the use of digital media has been shown to mobilize young people into more active engagement with civic and political life through deliberative activities in schools, democratic peer norms,

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news consumption, and citizen communication. For example, Lee et al.'s (2013) examination of an U.S. national panel survey of parent-child pairs — the Future Voters Study — emphasized the centrality of communication, whether at schools, among peers, or through the media, to youth engagement in civic and political life. Results indicate that information consumption through hybrid forms of traditional and digital media works through citizen communication to encourage civic engagement, including influences stemming from peers and schools onto civic engagement. Specifically, the results show strong online pathways to youth participation and engagement especially through news consumption and political expression via digital media technologies (Lee et al., 2013).

Using data from Dutch grade-eight students, van Kruistum et al. (2014) examined youth media lifestyles that encompass new media, traditional print-based media, and face-to-face (offline) interaction as "hybrid" forms. This examination was completed by exploring both interest-driven media engagement (e.g., for entertainment, to gain knowledge) and friendship-driven media engagement. They found four distinct media lifestyles defined in terms of: (a) the medium through which a particular media activity took place, (b) the social distance involved between sender and receiver, and (c) the function of the particular activity. These youth-media lifestyles were named as: (1) omnivores (appropriating all media for multiple functions in diverse social contexts), (2) networkers (staying connected with known others across offline and online), (3) gamers (specializing in a medium of entertainment within a distant social context), and (4) low-frequency users (not bringing offline interests and relationship online) (van Kruistum et al., 2014). Such study is useful to better understand the diversity in youth media lifestyles with respect to the role of media in youth engagement including friendship-driven and interest-driven media engagement.

Drawing on international survey data from mentoring program staff and volunteer mentors primarily in US and Canada, Schwartz et al. (2014) examined the use of digital and social media in youth mentoring relationships. Their findings show that this media use does not seem to detract from the closeness and quality of face-to-face mentoring relationships but may actually supplement and strengthen them. The findings also highlight the importance of creating an environment of reciprocity and mutuality and reducing the chance of shaming and patronizing youth. Indeed, relationship-building (both within youth and between youth and adults) is a critical concept in youth engagement, which can be facilitated by the optimal use of new media that can complement face-to-face interactions and traditional media, again, supporting the effective use of hybrid forms of communications (Schwartz et al., 2014).

Also focusing on the use of hybrid forms of media, Skoric and Poor's (2013) study with young people in Singapore examined how youth navigate between the traditional and new media for civic and political participation. They found that social media use is positively related to traditional political participation (because new media are a means for political mobilization and organization of citizens due to their low barriers to entry and quick diffusion of information), while also providing evidence of the continued importance of traditional media for political engagement. Keipi and Oksanen (2014) explored youth narratives of the interaction of both opportunities and risks in the use of social media by youth in Finland. Their findings illuminated the role of new media in youth need-fulfillment toward self-exploration/expression, self-determination, and identity development, and relationship-building, as well as the social risks that youth's new media use involves (e.g., cyberbullying, harassment).

Not surprisingly, the rapid dispersion of digital communication technologies in the last decade has spurred interest in how changes in communication technology might be reshaping and possibly reinvigorating youth's opportunities and inclinations for engagement. Research has been particularly focused on the engagement of young citizens, a population historically under-engaged and among the most active

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users of digital media. Existing literature suggests that recently created, online organizations will be most likely to embrace a newer, more youth-friendly communication style; those organizations working within the formal political realm may be most reticent (Bimber et al., 2012; Castells, 2009; Karpf, 2012). Wells' (2014) study of 60 organizations' (including government, interest groups, and community groups) communications through Facebook mainly confirms these expectations, but low levels of youth-friendly communications across the sample raise doubts about the likelihood of a civil society resurgence through social media.

In summary, research supports the role of hybrid forms of communications in promoting youth engagement by showing that the optimal use of digital/online and social media can complement face-to-face interactions and traditional media. Specifically, hybrid communication methods including various forms of politically driven, nonpolitical interest-driven, and friendship-driven online participation have been shown to promote youth engagement and activism. In particular, the youth-led hybridization principle of social movements combine online/new/informal and real-world/traditional/formal activism. Hybrid forms of communications for youth engagement provide youth activist opportunities that emphasize the power of youth in capacity-building and social change in line/alignment with PYD and SJYD frameworks. Indeed, the use of digital media has been shown to mobilize young people into more active engagement with civic and political life through activities in schools, democratic peer norms, news consumption, and citizen communication for the development of active citizens. Importantly, relationship-building (both within youth and between youth and adults) is a critical concept in youth engagement, which can be effectively facilitated by hybrid forms of communications. Furthermore, it is important to recognize the role of new media in youth need-fulfillment toward self-exploration/expression, self-determination, and identity development, as well as the social risks that youth's new media use involves (e.g., cyberbullying, harassment).

INTERSECTIONALITY: DIVERSITY OF YOUTH POPULATIONS AND THEIR MEDIA USAGE

Apparently, youth populations are diverse based on socio-demographic factors including: gender, race/ethnicity, age, social class, disability/ability, and sexual orientation. The framework of intersectionality is helpful to better understand influences of these diverse human characteristics on youth engagement via the use of media. In particular, an intersectional framework addresses the complex ways in which the *key axes of power* in society (e.g., gender, race/ethnicity, class, ability, sexual orientation) intersect with each other (Crenshaw, 1995; Garnets, 2002; Iglesias & Cormier, 2002). Indeed, most people in our society have more than one identity in terms of gender roles, racial or ethnic identities, and identities related to social class, age, ability, and sexual orientation. These identities are linked to different experiences of social power, privilege, and oppression as related to the dominant culture. Intersectionality is a framework being used in various different disciplines (e.g., women's studies, cultural studies) to help recognize and analyze the multiple nature of identities and the interlocking systems of privilege and oppression in a non-additive sense within specific life contexts (Iwasaki et al., 2006; Razack, 1998; Ristock, 2002).

In addition to looking at such human characteristics separately, this section of the paper explores how young women and men with different races/ethnicities are engaged through various types of media. Besides the intersection of gender with race/ethnicity, we give attention to the other dimensions of human diversity including sexual orientation, disability/ability, and social class. Through the lens of

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intersectionality, we address in what ways and how the diversity among youth populations should be acknowledged to better understand opportunities and challenges of youth engagement through media. A key point emphasized in this section is that diversity is the lived reality and intersectionality is a perspective that sheds light on how diverse identities and structures may both constrain and enable media and youth engagement. Importantly, intersectionality is not based only on identity per se, but this notion also addresses how power and privilege emerge through structures of socially constructed concepts such as gender, race/ethnicity, class, sexual orientation, and disability/ability.

One such community group characterizing the diversity of youth populations represents sexual minority youth. Research has shown that their engagement with online technology is a critical feature of their daily lives and development because this offers them with significantly safer spaces and vital community support and connectedness (e.g., Craig et al., 2014). For example, using a feminist, intersectional framework, Singh's (2013) qualitative study found a key theme for the use of social media to affirm one's identity as a transgendered youth of color and promote sense of connectedness. Also, Asakura and Craig (2014) explored resilience development in the accounts of lesbian, gay, bisexual, transgender, and queer (LGBTQ) youth, by analyzing videos posted for the *It Gets Better* social media campaign. The findings offer a nuanced look at the pathways to resilience development, which are described by four major themes emerged from the data: (1) leaving hostile social environments, (2) experiencing "coming out" in meaningful ways, (3) re-membering the social environment, and (4) turning challenges into opportunities and strengths. For instance, "by re-membering, many participants have developed their own clubs of life with selective members who have supported them through difficult times and valued their beings" (p. 261), whereas "the difficulties they experienced as youths also prepared them well to manage their adult lives" (p. 262).

Another instance of the diversity in youth populations and their media usage involves everyday use of digital technology and online social media by adolescents and young adults with physical disabilities and complex communication needs. To exemplify this notion, those youths in Hynan et al.'s (2014) study showed a desire to use the Internet and online social media as it is perceived to increase opportunities for self-determination and self-representation, while enriching friendships. The wide diversity of literacy and communication skills among youth with disabilities, as well as accessibility challenges, mean that the use of a collaborative approach is vital, for example, through receiving technical and social support from educational settings, families, and friends (Hynan et al., 2014).

Along with the growth of research on young women, we have seen the emergence of research on ethnic youth, implying the intersection of gender with ethnicity contextualized within the notion of youth subculture (e.g., Clark, 2012; Dedman, 2011; Gunter, 2010). Originally, Blackman (1995) advanced the idea of "youth cultural forms" and Thornton (1995) adapted Bourdieu's theory of cultural capital to speak about "subcultural capital." As emphasized by Blackman (2014), subcultures attract attention in culture, society, and the media because these have been theorized as not merely distinct from, but also in opposition to, the dominant culture. The new forms of subcultural communication through social media are considered as a key domain to promote knowledge, flexibility, participation, and collectivity transmitted through a subcultural network (Hodkinson & Lincoln, 2008; Williams, 2011). Blackman (2014) argues that youth cultural identities based on consumption, in which communications through social media play a key role, are structured by both material and social conditions of inequality (e.g., various forms of "isms"), while engagement with youth subcultures at a social and political level is critical by looking at, for example, deviant behaviour, connectedness, and social change to address social justice issues.

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Importantly, the intersection of gender with ethnicity contextualized within the notion of youth subculture has implications for the broad topics of culture, society, and the media. Specifically, communications through social media play a key role in developing youth cultural identities. In this way, the use of media provides a key cultural sphere to create youth activist subcultures, which seek to contest a range of global injustices through collective means consistent with SJYD and PYD frameworks described earlier.

For example, youth activist involvement includes the use of media, contextualized within the raced, classed, and gendered challenges of youth activist cultures from an intersectional perspective. To illustrate this notion, Kennelly's (2011) book, entitled "Citizen Youth: Culture, Activism, and Agency in a Neoliberal Era" explores youth activist subcultures undertaken as part of a year-long multi-sited ethnography in Canada's three largest urban centres: Toronto, Montreal and Vancouver. Specifically, the book examines the dilemmas and cultural dynamics of being young and politically engaged, including the use of media as a key cultural sphere. The book interrogates both macro-structural forces such as education, media, and politics, and micro-sociological factors shaping youth activists' lived realities, resulting in a portrayal of the day-to-day experiences of young people who seek to contest a range of global injustices through collective means. The major issues shaping youth activist engagement described include the use of media as a key resource to sustain activist involvement, and the development of raced, classed, and gendered activist cultures from an interactional perspective (Kennelly, 2011).

Contextualizing mobile media in teens' lives, Vickey's (2015) paper examines how ethnically diverse low-income, non-dominant teens mitigate reduced privacy levels in and through mobile technologies and social media, and with what consequences. Teens in the study utilized a variety of social media platforms (e.g., Facebook, Twitter, Tumblr, Instagram, YouTube) to reach different audiences, explore different identities, and form different communities. They deliberately used these multiple platforms as a way to cope with evolving privacy settings, social norms, and technological affordances — this was a deliberate strategy intended to resist social convergence (Vickey, 2015). As such, the boundaries of sharing and privacy are constantly renegotiated at the intersection of localized social norms, economic and social capital, and the technical affordances of particular platforms and devices. As shown in Vickey's study, mobile media provide youth with a sense of autonomy, independence, and privacy from adults (Ling, 2010) and facilitate more personalized forms of communication (Campbell & Park, 2008).

As an emerging form of culture, digital culture can be broadly defined as the multiple ways in which people engage with digital media and technologies in their daily lives (Livingstone, 2009). As a unique domain of digital culture, non-urban areas of a developing country would generate a distinct set of experiences. As shown by Pathak-Shelat and DeShano (2014), youth digital cultures in rural and small-town India are influenced by and negotiate local, regional, national, and global discourses, for example, through homes, peers, schools, and official public messages. Youth in their study treat new media and technologies as one limited component of otherwise rich lives and social experiences. For example, financial interests that drive commercial aspects of digital culture obscure its layered power differentials through contradictory media experiences and end results (Pathak-Shelat & DeShano, 2014). Obviously, power dynamics play a role in the construction of digital culture among youth, which is contextualized both locally and globally.

As exemplified in this section, an intersectional perspective addresses the complex ways in which the *key axes of power* in society (e.g., gender, race/ethnicity, class, ability, sexual orientation) intersect with each other (Crenshaw, 1995; Garnets, 2002; Iglesias & Cormier, 2002). A variety of media forms, through which youth are engaged, address these power issues such as the intersection of various identi-

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ties including gender roles, racial or ethnic identities, and identities related to social class, disability/ability, and sexual orientation. Indeed, these identities represent key factors for personal and collective experiences within the systems of social power, privilege, and oppression (Iwasaki et al., 2006; Razack, 1998; Ristock, 2002). In particular, the new forms of subcultural communication through new media promote knowledge, flexibility, participation, and collectivity transmitted through a subcultural network. Specifically, communications through new media play a major role in developing youth's cultural identities. Accordingly, the use of media provides a key cultural milieu to create youth activist subcultures, as a collective space to address social justice issues, in line/alignment with SJYD and PYD frameworks. For example, youth activism includes the use of media, contextualized within the raced, classed, and gendered youth activist cultures from an intersectional perspective. Importantly, the use of new media can be seen as a means of reclaiming and reshaping the ways in which youth are engaged to address these power issues.

MEANING-MAKING THROUGH MEDIA USAGE AMONG YOUTH

Another important idea is that the use of media in youth engagement is considered as an effective means of promoting meaning-making that can provide a variety of personal and collective benefits for youth. Meaning-making refers to the ways in which and how people gain meanings within life that are important for personal, social, cultural, spiritual, and community reasons (Markman, Proulx, & Lindberg, 2013; Park, 2010). Relevant to this paper, the use of new media is seen as a key meaning-making process or activity to address identity, socio-cultural, and power-related issues. For example, Halverson (2010) explored youth film-making as a medium for meaning-making, by seeing youth as producers of digital media. Her analysis demonstrated how films such as Rules of Engagement display the construction of a viable social identity where youth actively insert their understanding of: (a) how to represent complex portraits of how they see themselves, (b) how others see them, and (c) how they fit into their communities. The study showed how youth (in particular, youth living within marginalized conditions) engage with and make sense of identity issues as a critical meaning-making process through the media they create (Halverson, 2010).

Mutere et al. (2014) examined the roles of popular culture, media, and the arts in the health-seeking concerns and behaviours of 54 homeless youth in California, USA, with a focus on what they saw as barriers and aids. Their findings highlighted the importance of a creative arts-media intervention (e.g., graffiti as a multi-media platform) for homeless youth to promote a sense of life-meaning, civic engagement, and positive community connections and health outcomes in an age-appropriate and culturally-sensitive way. Specifically, multi-media usage (e.g., poetry, screenplays, stories, and web-logs) provided homeless youth with creative outlets for civic engagement, community connections, and meaning-making within their lives (Mutere et al., 2014). In particular, a peer-to-peer mentorship has been found to be beneficial for marginalized youth to meet their desire for a sense of meaning as demonstrated through a quote from a street-involved youth in Mutere et al.'s (2014) study:

I like to write raps. I like to draw. I'm really talented at it. Marijuana doesn't stop me from that. Those are things that I know I have a gift in. It's like everyone else… electronics, computers, whatever the case may be… A mentor can help them get past that problem and help them go somewhere in life… 'Cause

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that's what most people feel like they don't have… no life-meaning. You can't just directly say "no". You have to explain to them and encourage them to do better now. (p. 282)

Once again, such voice highlights the important role of relationship-building in youth engagement as facilitated by media usage as a meaning-making activity.

Awan and Gauntlett's (2013) in-depth qualitative study with youth aged 14-15 from six locations across England provided detailed data about young people's online practices based on their lived experiences within their everyday lives. Their analyses of the data identified three themes: (1) 'Connecting and convenience' (being engaged with social networking sites and instant messaging tools to maintain contact, develop relationships, and communicate with friends and family); (2) 'Openness and control' (online communication seen as a medium through which youth can express themselves openly without having to face negative repercussions); and (3) 'Privacy and authenticity' (their profiles being broad and non-specific, simply functioned as a general display for others). Awan and Gauntlett concluded that:

The internet, for the young people in our study, was not simply an extension of, or alternate forum for, their friendships, but enabled them to develop layers of emotional bonding which would otherwise be seen as difficult, and perhaps best avoided. As such, our results help to illustrate the importance of social media to young people's everyday lives, identities and relationships, through highlighting intersections between their online and offline worlds… Participants were able to recall important and meaningful elements and to make connections between them (p. 127-128).

As alluded within their findings, these meaningful elements represent the three key themes identified, namely, (a) connecting and convenience, (b) openness and control, and (c) privacy and authenticity, described above as meaning-making functions especially to "develop layers of emotional bonding" (p. 127) with youth's friends and family within their daily lives. Importantly, youth's online practices can facilitate these various forms of communication, relationship-building, and meaning-making.

By focusing on the construction of meaning and identity, Zemmels' (2012) study with 11 American teens (13-17 years of age) in New Orleans documented those participants' engagement with new media in networked spaces and the everyday practices that surround their participation. The findings showed a complex pattern of relationships between interpersonal communication channels, the relative immediacy and intimacy of the channel, and the social relationship between participants. This pattern appeared to have a structuring influence on everyday communication practices of youth in networked publics, as they negotiate and construct meaning (e.g., aesthetic and social meaning through visual media) and identity in these networked publics (Zemmels, 2012). In particular, this study showed that "the examination of media as cultural artifacts of meaning-making is directed connected to everyday practices of media participation" (p. 37), while youth become active agents in this meaning-making process.

In addition, it is useful to consider the digital media creation, distribution, and consumption process as "storytelling" in a shared space, in which a variety of perspectives and meanings are presented (Lambert et al, 2007). Accordingly, the space in which stories are shared and collaborated on becomes an entity with a life of its own. As mobile communication media and the internet become more pervasive, young people from different cultures and communities are afforded more opportunities for sharing and collaboration across previously unbridgeable distances (Botha et al., 2009). Botha et al.'s (2009) study with five teenagers from USA and five teenagers from South Africa demonstrated the role of mobile

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phones and the web as mediating technologies in the development of intercultural competencies and communication skills. Specifically, their study has shown that mobile phones have a place in the creation of meaningful user-generated content for improved cross-cultural awareness and communication — as communication devices, they have progressed "from text to context" (Botha et al., 2009). Increasingly, technology facilitates the ways in which the youth around the world communicate, consume content, and create meaning (e.g., South African teens mindful of explaining local slang and the meaning of Afrikaans words to American teens) across diverse cultural contexts.

For another example, with 35 young people in Philippine between the ages of thirteen and twenty-six in four focus groups, Portus (2008) explored how the urban poor acquire, use, and ascribe meaning to the mobile phone. This study found that the mobile phone allows the urban poor to pursue their gender-defined functions more effectively, being a source of desire and envy, most apparently among the women, as a highly sought-after and increasingly vital, meaningful part of their lives, despite grinding poverty (Portus, 2008). Specifically, the use of this media enabled Filipino urban poor youth to gain valued meanings through promoting social role fulfillment and self-perception.

A recent special issue of *Educational Studies* on "Youth, New Media, and Education" featured several papers that examined youth as both consumers and producers of popular culture, which lies at the intersections of traditional media and new digital media. As the issue editors, Luschen and Bogad (2010) commented that "youth representations of themselves have the capacity to shape the cultural landscape, interrupt and collude with existing discourses of youth, and teach what it means to be a youth in all its complexity, within and across difference… Reaching across boundaries between conventional and new media, these texts illustrate the complexities that a newly constituted popular culture provides" (p. 454-455). Through the process of youth's negotiations using various media forms, they produce, consume, and learn about popular culture as ways of meaning-making in their daily lives. Importantly, the use of new media can be seen as a means of reclaiming and reshaping the ways in which youth are engaged, as key meaning-making processes, to address significant identity, socio-cultural, and power-related issues in their everyday lives in support of PYD and SJYD frameworks.

BUILDING GLOBAL SOCIAL RELATIONSHIPS AND SOCIAL AND CULTURAL CAPITAL THROUGH YOUTH'S MEDIA USAGE

Given the resurgence of digital and social media, youth engagement has become more globalized across cultural boundaries. One obvious outcome from this global process represents building cross-border social relationships and social and cultural capital facilitated by youth engagement through the use of media. A number of examples from the literature support the idea that the role of media in meaningful youth engagement contributes to building global social relationships and social and cultural capital. First, drawing from a comparative case study of the digital literacy practices of immigrant youth of Chinese descent, Lam (2014) examined the cross-border social relationships that are fostered between the youth and their peers in China. She showed how these cross-border relationships create unique social, linguistic, and cultural capital. The findings suggest that youth's online literacy practices need to be understood within the particular social fields/networks in which they are situated and how they allow the youth to navigate and take up a position within social fields across national boundaries. Importantly, media usage is considered as one of the significant and meaningful daily human activities within structured social spaces. Consequently, relationships built from using communication technologies can promote social

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capital (e.g., affiliations and networks) and cultural capital (e.g., cultural knowledge, skills such as bilingual or multilingual skills, and cultural dispositions/customs) (Bourdieu 1991). Specifically described in Lam's study include "bridging capital" to connect with the monolingual majority population in society, and "bonding capital" to connect with the minority population, as well as transnational engagement and resource development in digital art.

For another example, de Haan et al. (2014) examined the networked configurations for learning of migrant youth in the Netherlands, in relation to particular offline and online connections, their historical geographies, the development of learning 'places,' and particular learning affinities. Specifically, they described three ethnically different groups: (a) Dutch youth as 'unrooted' learners (who are networked according to individually expressed interests for exploration), (b) Moroccan-Dutch youth as 'routed' learners (who form collective affinities and interests within same generation ethnically informed spaces), and (c) Turkish-Dutch youth as 'rooted' learners (defined by more collectively formed interests embedded in family and ethnically based networks). This grouping shows examples of the diversity in globally dispersed, highly individualized yet collective networks within migrant youth to pursue tailored knowledge. Even within a single country at a local level, the development of global social relationships and social and cultural capital is a reality as increasingly facilitated by the use of media within youth populations internationally.

Furthermore, Garcia et al.'s (2015) study focused on civic engagement enacted through digital media participation by exploring the relationships between critical literacy practice, digital media production, and civic agency in the Council of Youth Research, a youth participatory action research program in Los Angeles, USA. In particular, their study articulates a vision of literacy that is tied to societal power structures as a way of building personal and social capital for the purpose of personal and social transformation. Specifically, the study highlights the ways in which student digital literacy production manifested powerful civic agency. The authors argue, "Academic and critical literacy development are crucial to beginning the process of empowerment for students to become critical consumers of information. When youth are empowered with the ability to make sense of the unjust conditions in their community and the skills to act, they become powerful agents of transformation" (p. 165). Importantly, meaning-making and mobilization of actions to promote personal and social capital, and address social justice issues are key empowerment and transformation processes, again, consistent with PYD and SJYD frameworks described earlier.

Attractive to young people, modern music festivals have become sites of mediated brand management where commodified hyper-experiences are considered as new forms of contested cultural capital. As described by Flinna and Frewb (2014), the realm of music festivity has grown into a global circuit that responds to the demand for emotive experiential products and taps into postmodern themes that celebrate a lifestyle attitude of extended youth. Their study explored the phenomenon of festival culture through a case study of Glastonbury Festival of Contemporary Performing Arts in England. The study presented an innovative interpretation of festivity through multi and social media, showing that identity is a hybrid construct where the localised ephemeral and embodied experiences of festivity demand a simultaneously mediated and socially globalised reflection. The study portrayed that festivity is moving beyond management as it is increasingly dependent on the co-creative social media activity of consumers to perpetuate the fantasy and capital of festivity. This study depicted how festivity works in an age of ubiquitous social media where lifestyles are increasingly digitised and networked. Undoubtedly, the power of technology is a driving, transformational force in festivity as a form of building cultural capital.

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As shown in this section of the paper, youth engagement has become a more hybrid concept ranging from localized to globalized experiences across cultural boundaries prompted by the resurgence of digital and social media. Indeed, one key consequence of this emerging process includes building cross-border social relationships and social and cultural capital facilitated by meaningful youth engagement through the use of media.

INTEGRATION OF THE KEY NOTIONS DESCRIBED IN THE PAPER

Overall, a central argument of the paper is that meaningful youth engagement can be considered as a key concept in describing youth's use of hybrid media that reflects the diversity of youth populations and their media usage. In particular, such media-involved (including new media) youth engagement can be seen as an important meaning-making activity within youth's lives that can potentially build social and cultural capital, including through social relationships (at multiple levels — both local and global) and youth-led activism.

Although the literature reviewed above provides, at least, partial support for an element(s) of this claim, we would like to note that the findings from the following two large-scale case studies broadly/comprehensively address and support such claim. First, Ito et al.'s (2013) three-year ethnographic study, based on interviews with over 800 American youth and young adults and over 5,000 hours of online observations, identified the key themes of "extending friendships and interests" and "self-directed, peer-based learning." As guided by these findings, they have provided recommendations/implications regarding: (a) social and recreational new media use as a site of learning, (b) recognizing important distinctions in youth culture and literacy, (c) capitalizing on peer-based learning, and (d) a new role for education as a process guiding youths' participation in public life more generally. In particular, Ito et al. have suggested that "rather than assuming that education is primarily about preparing for jobs and careers," it is important "to think of education as a process of guiding kids' participation in public life more generally, a public life that includes social, recreational, and civic engagement" — i.e., "an engaged and diverse set of publics that are broader than what we traditionally think of as educational and civic institutions… In addition to publics that are dominated by adult interests, these publics should include those that are relevant and accessible to kids now, where they can find role models, recognition, friends, and collaborators who are co-participants in the journey of growing up in a digital age." Apparently, youth-led meaningful engagement and development of youth through media was broadly captured in this study.

Second, Jenkins et al.'s (2016) recent book, entitled *By Any Media Necessary: The New Youth Activism*, discusses different case studies of youth activism building on popular culture and new media engagement. In a series of case studies covering a diverse range of organizations, networks, and movements involving young people in the political process — from the Harry Potter Alliance, which fights for human rights in the name of the popular fantasy franchise to immigration rights advocates using superheroes to dramatize their struggles — this work has examined new forms of political activities and identities emerging from the practice of participatory culture. Overall, Jenkins et al. have revealed how these shifts in communication have unleashed a new political dynamism in American youth, as they conclude, "This book has offered a range of examples of young people working together to try to change the world, some working within 'the system' (institutional politics), some working around 'the system' (seeking change through other mechanisms)… They are seeking political change by any media necessary."

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Accordingly, youth's media usage can be considered as a meaning-making activity to build social and cultural capital and promote social change through engaging in a public/civic life and youth activism by providing youth with opportunities to promote skills/competences leading to positive development, and to address human rights and other social justice issues in an empowered, meaningful way in line with PYD and SJYD perspectives.

CONCLUSION

Contextualized within the popularity of new media, youth engagement is a very important concept in international youth research. Guided by the current literature on youth engagement and media studies, this paper examined the key engagement-related notions involving youth and media usage. Being informed by a variety of case studies on youth engagement through the use of media within various contexts globally, the paper discussed the key issues of engaging youth through media. Better understanding the ways in which youth use media for their engagement has significant implications for practice and policy on youth and civic involvement at all system levels globally. The specific notions covered in this paper include: (a) the role of "hybrid" media in youth engagement; (b) "intersectionality" illustrating the diversity of youth populations and their media usage; (c) meaning-making through media usage among youth; and (d) building global social relationships and social and cultural capital through youth's media usage.

In summary, hybrid forms of communications through digital and social media, face-to-face interactions, and traditional media can promote meaningful youth engagement and activism, in which relationship-building (both within youth and between youth and adults) is a critical concept. Appreciation of the diversity of youth populations and their media usage from an intersectional perspective is helpful to better understand the ways of youth engagement and activism via media that can promote meaning-making, for example, on identity and cultural issues. In addition, youth engagement through media usage can help build global social relationships and social, linguistic, and cultural capital and can facilitate a youth-led transformation of our society to address social justice issues. Importantly, multimedia usage provides youth with creative outlets for civic engagement, community connections, and meaning-making within their lives.

As noted earlier, a central argument of the paper is that meaningful youth engagement can be considered as a key concept in describing youth's use of hybrid media that reflects the diversity of youth populations and their media usage. In particular, such media-involved (including new media) youth engagement can be seen as an important meaning-making activity within youth's lives that can potentially build social and cultural capital including social relationships (at multiple levels — both local and global) and youth-led political activism.

These claims are indeed in line/alignment with the PYD and SJYD frameworks. Briefly, the PYD framework illustrates how the promotion of competencies at both individual and system levels leads to desired youth development outcomes, while the SJYD paradigm involves youth's awareness of their personal potential, community responsibility, and broader humanity, and the engagement in social justice activities that counter oppressive conditions. Importantly, the integration of PYD and SJYD conceptually supports the vital role of youth as a proactive agent for changes at personal (e.g., self-identity, constructive behaviours), social (e.g., collective identity, advocacy for social change), and community (e.g., policy and practice change from social justice perspectives) levels (Ross, 2011).

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Indeed, this notion (i.e., the integration of PYD and SJYD) is highly applicable to the use of hybrid forms of communications to promote youth engagement and development by appreciating the diversity of youth populations and their media usage (from an intersectional perspective), and by promoting meaning-making and social and cultural capital, as well as to facilitate a youth-led/guided transformation of our society to address social justice issues. The specific examples illustrated in this paper to support the relevance of PYD and SJYD frameworks include the use of hybrid forms of media in:

1. Communications (e.g., story-telling), relationship-building (e.g., youth mentoring), and meaning-making (e.g., identity formation, community connections);
2. Youth engagement and social and political mobilization (e.g., empowerment, social and cultural capital); and
3. Youth activism to address socially and culturally constructed power issues (e.g., active agents for transformation).

Specifically, youth's hybrid media usage can be seen as a meaningful way of youth engagement that provides opportunities to promote skills/competences leading to positive youth development outcomes, while such a meaningfully engaged media usage can be also seen as a social justice activity to address oppressive conditions in an empowered, meaningful way. Such a claim represents the integration of PYD and SJYD frameworks, as well as bringing together the other elements of the paper, namely, (a) hybrid media, (b) intersectionality, (c) meaning-making, and (d) building relationships and social and cultural capital.

The power of youth in leading/guiding social change should not be underestimated, and this role can be effectively promoted by the use of hybrid forms of communications for youth engagement. Importantly, the use of new media provides youth with opportunities to re-define and re-create the ways in which youth are engaged, as key meaning-making processes, to address significant identity, socio-cultural, and political issues.

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Chapter 39
Opportunities and Challenges of Visualization and Open Data in Food Security Analysis

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ABSTRACT

Statistical literacy presents many aspects about food security in the world. It highlights weaknesses, it creates awareness of threats in current situations, helps overcome challenges and creates opportunities for the future. Statistical data analysis enables existing food security interventions and programs to be reviewed and revised, and this better understanding of current situations enables more authoritative and relevant decision-making processes for the future. Statistical literacy involves skills and expertise in data description and interpretation (in words as well as in numbers) to name, explore and amend beliefs, opinions and suggestions. It helps decision-making processes about food security in a sub-nation, nation and region, as well as the world. This chapter will demonstrate the importance of open data and visualization, including its challenges and opportunities, in the food security context at national and global level to make decision-makers aware of the need to enhance their capacity for and investment in statistical literacy.

INTRODUCTION

In this era of information, communication and technological innovations, data dissemination systems and the diverse varieties of data present a number of technical challenges for various kinds of research and analysis. Private sector data and information service providers have been expanding their business by obtaining open data sets released by government and the public sector and offering them for sale. It greatly helps researchers and scientists to access open data for the analysis, modelling and visualization of their particular research topic or area. The realistic research outcomes they produce may challenge

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our beliefs and suggest actions for the future. The Open Knowledge Foundation describes open data as data that can be freely used, re-used and redistributed by anyone without legal, technical or social restrictions (Tammisto & Lindman, 2012, p. 298).

Accessing open dataset supports and applying them to the decision-making process could improve the lives of all people. Technological challenges have been encountered, however, due to insufficient metadata, because it is disseminated increasingly by different data organizations worldwide. For this reason, the food security situation in some developing countries goes unrecognized, mainly due to weak data analysis and visualization. A country's government or agencies and departments are always under pressure to release their big data for open access. They often cannot release the big data if they don't have permission, as is the case of isolated countries like Myanmar. In addition, profit-making data suppliers focus more on income generation from their data streams and networks than on making big data freely available.

In terms of the world's development agenda, solving the issues of food insecurity and poverty will be critical to improving rural livelihoods as well as developing very country's economy, from individual household up to the national level. However, the level of food insecurity varies from one country to another, even between regions in the same country because of different factors, causes and consequences (Joachim Von Braun, 1992). In the analysis of food security, it is hard to find major causes and provide appropriate suggestions to decision-makers, due to the limitations of data availability, accessibility and government support to re-use data.

Since data visualization has become very popular in the multisector research area, various visualization tools to process datasets have been developed and applied in the areas of agriculture and food security. In this respect, statistical analysis initially requires data visualization to give a basic understanding on which to base decisions that can reduce the stress of food insecurity. The availability and accessibility of data are therefore crucial, even though there are many reasons for insufficient data, such as weaknesses in transparency, integrity and accountability, to convey the key message that freely available open data offers great social, economic and good governance benefits to every country (Organization for Economic Cooperation and Development [OECD], 2016). Given open data availability and accessibility in the public sector, many potential research tools can give a basic understanding of food security with a model that shows multiple inter-related causes through visualized graphs, tables, charts. Open data from various sources can be applied to validate and refine these visualized food security causal models which in turn could be used to identify solutions to food insecurity.

OBJECTIVE

Without statistical literacy of data interpretation and visualization, it is not easy to explore the strength and weakness of any industry. However, when statistical literacy is applied to agriculture, which is the focus of this chapter, it can give a complete picture in order to address a situation of food insecurity, including looming risks and potential solutions. For this reason, open data and big data statistical literacy are integral both to supply of and demand for data and information.

The statistical tools used will differ, depending on data availability and accessibility as well as differences in terms of research themes and the mandate of the organizations, institutions and governments involved. Nevertheless, statistical tools will support the use of vizualisation for data interpretation, bringing more resources or skills to address the situation than just reading a text. To understand a food

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insecurity situation in given open data and big data, the tools the researchers apply and the way they summarise or interpret or visualize the statistical data are major challenges in order to get information and understand the data characteristics. Applying statistical concepts, methods and processes to open data and big data, that is, extending statistical literacy, will give more precise data interpretation than data reading of conventional statistics.

Statistical data presents many aspects about food security in the world. It can reveal or highlight weakness, raise awareness of threats in current situation, help overcome challenges and create opportunities for the future. Existing interventions and programs of food security can be reviewed and revised if the statistical data analysis gives better understanding of a current food insecurity situation; this better understanding in turn enables more authoritative and relevant decision-making processes for the future. Statistical literacy involves skills and expertise in data description and interpretation (in words as well as in numbers) to name, explore and amend beliefs, opinions and suggestions. It helps decision-making processes about food security in a sub-nation, nation and region, as well as the world.

This chapter will give an understanding of the importance to food security of open and big data and of the challenges of and opportunities for applying open data and big data to the agriculture sector, and by implication to food security.

THE IMPORTANCE OF VISUALIZATION AND OPEN DATA

Visualization is a better approach to understand the problems and possible solutions in multisector development issues. Having data only is not enough and we have to let the people understand what these data are and how to utilize these data. Visualization presents the available data in a form of pictures or graphs and it easily explores the concepts and trend of a particular issue to the decision-makers (Statistical Analysis System [SAS], n.d.). It helps to present the huge historical progress and future trend in trade, economic, social development, etc. at national, regional and global level. Technology-oriented-data visualization can give better interpretation of healthy and wealthy corner of the world (Rosling, 2010). Certainly, complex datasets may be applied to generate these visualized information map which is more time-effective instead of time-consuming reading text.

Liberalization of government data is very essential but the maximization of effectiveness of using open data is more crucial for the public (OECD, 2016). Ordinary citizens rarely use government datasets what researchers and business people do (OECD, 2016). The huge amounts of complex data and information in the spreadsheets and reports are not as easy to understand the given concepts as we learned from visualized graphs or charts (SAS, n.d.). Thus, the data covering the relevant information about people daily lives and habits should be available and accessible with visual presentation to allow the individual people take note and adjust their behaviour (OECD, 2016). Visualization become popular and it is internationally well accepted and applied to convey any messages and scenarios as a quick and easy tool (SAS, n.d.). Because it can point out a specific area where needs recognition or improvement with the help of researchers, practitioners, scholars in the development agenda. In the business sector, it helps to find out the influencing factors of sales and marketing, such as customer behaviour, product allocation, sales volume.

Consequently, without information and statistics, there will be no sound interpretation and visualization to explore the condition of a particular development research. Today, the availability of open data is

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growing through various service providers of both profit and non-profit agencies (Ubaldi, 2013). Open Knowledge Foundation (James, 2013) described the summary of full definition of open data in 2005:

Open data is data that can be freely used, shared and built-on by anyone, anywhere, for any purpose.

The more open data movement develops with the recognition of many governments and organizations, the clearer definition of open data is critical to be well-accepted. It helps to grasp the benefits of openness, and escape the risks of inconsistency between the research project and its enabling community (James, 2013). According to the OECD, the importance of open data released by the Government has been prominently recently recognized after setting the principle of this Open Government Data (OGD) in the United States in 2008 (Ubaldi, 2013).

In reality, the focus on releasing those data from public departments is not yet significant to liberalize the data as a resource to use. In addition, the potential of re-use of open data still does not meet the expected levels (Lassinantti, 2016). On the other hand, the reproduction of scientific-paper through open data should be transformed in different discipline to solve social problems out of consideration. At the same time, the researchers must be proficient to access required data in line with other discipline. Because, the transmission of scientific-research-data will not always be open and free but it must be available to access and re-use it (KAKUTA, 2016). Surprisingly, the massive quantities of data and larger datasets are gathered and delivered across the public sectors. The importance of social and economic value of the big-data creates the significant usage of data in terms of velocity and variety through socio-economic model which investigate new initiatives, sustainable growth and development.

But, such kind of dataset is not easily presentable by managing with normal tools or traditional data interpretation methods. It needs to process with the support of technological software or tools for the data organizing, searching, allocation, transporting, analysing and visualization. Then, the result of this big database analysis will be comparable with the smaller data sets of similar variety of data with the findings of disease prevalence, research quality, criminal conflicts, etc. (Ubaldi). In this connection, the importance of free big-data sets is vital to produce data visualization to determine the prevalence of food insecurity problems to help the daily lives of people.

THE IMPORTANCE OF VISUALIZATION AND OPEN DATA IN FOOD SECURITY

What Is Food Security?

A common understanding of food security, in its broadest sense is required to bridge the gap between the demand and supply of information. This requires a clear conceptual framework that embraces the full scope and all dimensions of food security as a foundation for food security information systems. Past perceptions of food security that focused on production, self-sufficiency and filling food gaps with food aid are no longer adequate given today's challenges. With growing market economies and trade liberalization, consideration of comparative advantage has helped ensure more efficient production, including of non-food commodities. With poor and traditionally food insecure communities becoming more integrated into market economies, peoples' livelihoods and opportunities for household income have become more and more important in ensuring food security. The importance of food safety and good nutritional practices has become well understood as prerequisites to ensure good health and food

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security (Shwe & Hlaing, 2011). The most common definition of food security was adopted by the country Leaders at the World Food Security and World Food Summit, the Rome Declaration of Food and Agriculture Organization (FAO; 1996):

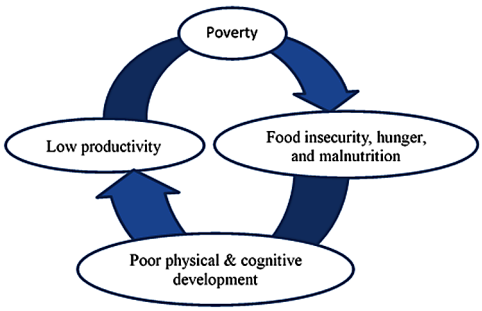
Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. (FAO, 1996, p. 298, para. 12, 2009, para. 2)

Also, FAO has demonstrated the four dimensions of food security: Availability; Accessibility, Utilization, and Stability (Food and Agriculture Organization [FAO], 2006, p. 1). In fact, food insecurity is not stand alone (Bhutta et al., 2008; Black et al., 2008; Dangour et al., 2013; Ghattas, Barbour, Nord, Zurayk, & Sahyoun, 2013; International Food Policy Research Institute, [IFPRI], 2016; Iram & Butt, 2004; Jenkins & Scanlan, 2001; Mason, 2002; Myanmar Times, 2016; Johshin Von Braun, 1993; Wahlqvist et al., 2009). Food insecurity has other three related concepts, hunger, malnutrition and poverty as shown in Figure 1 (Food and Agriculture Organization [FAO], 2008b). If there is food deprivation in both availability and accessibility issues, it results hunger but all food insecure people will not be hungry. It may have other causes, such as inadequate micro-nutrient intake. Malnutrition occurs from food deficiencies, over-eating or imbalance of nutrient intake and it relate health care, services and environment for children. The causes of hunger and malnutrition result to poverty which relates to food insecurity, health care, education, etc. This is widely accepted concept and relates to food insecurity agenda (FAO, 2008b).

Over many discussion and dialogues about food security initiatives, a number of major causes and possible solutions have been discussing to overcome the influencing factors of food insecurity, globally, regionally and nationally. For example, in relation to food availability, crop yield has been declining in many areas due to lower investment priorities in research and infrastructures. In addition, climate change as well as water scarcity and the prevalence of HIV/AIDS are also influencing factors to cause food insecurity in many regions (Rosegrant & Cline, 2003). There will be possible solutions to overcome the risks of those influencing problems, such as more investment for better yield and initiative of agriculture reform policies (Rosegrant & Cline, 2003).

It shows multiple inter-related causes of food insecurity. We need to identify major problems by providing the evidence of information and statistics. The written document of food security data and information is not very helpful to have the attention of the decision-makers immediately since it takes

Figure 1. Interrelationship of food security, malnutrition, and poverty
FAO (2008b)



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time to understand and judge the given information. The casual factors of food insecurity, their relationships and interconnectedness as well as the strength of their relationship may be easily recognized with the power of data analysis and visualization instead of providing the situation model in words. Data visualization is the best approach to underline the major risk factors but it could also be a technical barrier in some economic model to analysis food insecurity due to loss of statistics in some parameters.

Why Is Visualization and Open Data Important in the Analysis of Food Security in the World?

Since after the United Nations Conference of Food and Agriculture held in USA in 1943, achieving the goal of freedom from the needs of food and agriculture has taken into consideration of the world's food and agriculture problems to improve the health and nutrition of the world's population (Shaw, 2007). As a first initiative, the Conference principally agreed to establish the Food and Agriculture Organization of the United Nations (FAO) in 1943 and it was officially formed in 1945 (Shaw, 2007) emphasizing agriculture and economic policies to ensure an adequate and a suitable supply of food for all people (Shaw, 2007). FAO was intended to be a service centre of information and statistics with regards to food and agriculture as well as to provide advice to all agriculture and nutritional issues raised from all nations.

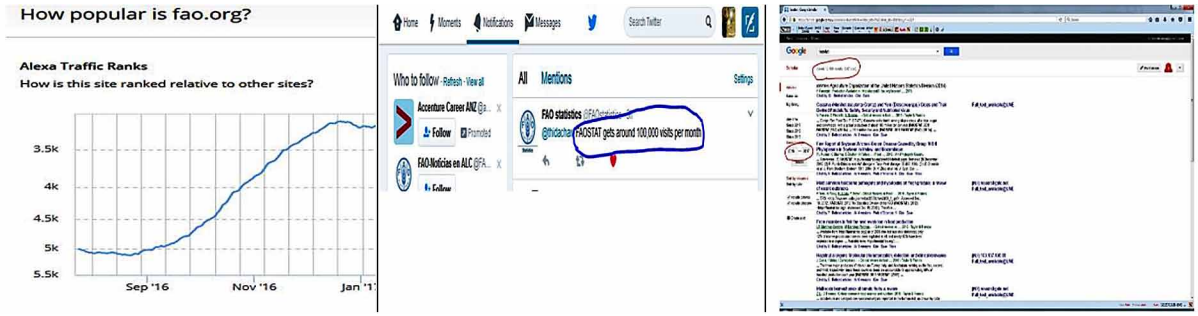
Then, FAO was initiated as a world's largest database system through Food and Agriculture Organization Statistics (FAOSTAT) (before AGROSTAT) (Food and Agriculture Organization - Economic and Social Development Department [FAO-ESDD], 2017). It became operational database system since 1986. FAOSTAT provides free datasets for 245 countries and 35 regional areas. Time series data is freely and easily accessible in most domains from the year of 1961 to most recent year (FAO, 2017). The corporate database of FAO contains a comprehensive topics of food and agriculture of production, consumption, trade, prices and resources, nutrition, etc. Besides, FAO provides the capacity development assistance for the standard methodology and national data as well as metadata collection to ensure harmonization of the collection and dissemination of reliable data for the statistical data analysis and policy making.

Also main data users of FAOSTAT are data analysts from the research institutes, International Organizations (i.e. UN, World Bank, International NGOs) as well as Universities. Data sharing from FAOSTAT depends on the indicator which the organization or agency needs and it is mostly coordinated with UN Population Division, World Bank, WHO, UNICEF, ILO, WWGI, International Road Federation, World Road Statistics and Electronic Divisions. The update of data is timely in every August of a year. Although FAOSTAT don't make user satisfaction survey (Alexa, 2017; FAOSTAT, 2017). According to the official FAOSTAT Twitter "@FAOstatistics", the number of usage to FAOSTAT reach about 100,000 visits per month. Also, from the result of preliminary assessment to study the usage of FAOSTAT, the audience are mostly from India, United States, Nigeria, Mexico and China. Based on the internet average monitoring, the visitors to FAOSTAT are the most from work followed by the school and home as shown in Figure 2 (Alexa, 2017). There is a large number of indexes of FAO Statistical database applied in the publications shown in "Google scholars". Generally, there are many number of data user access to FAO database not only for academic research purposes but also for the reporting or assessment of International Organizations and Government agencies.

As a result, FAO database is widely accepted among the global data users but there may be many variables of missing data due to weak cooperation from the country government to release the official data. It highlighted that country governments must be aware to be stronger international incentives for a more comprehensive open data policy of food and agriculture.

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Figure 2. Interrelationship of food security, malnutrition, and poverty
FAO (2008b)



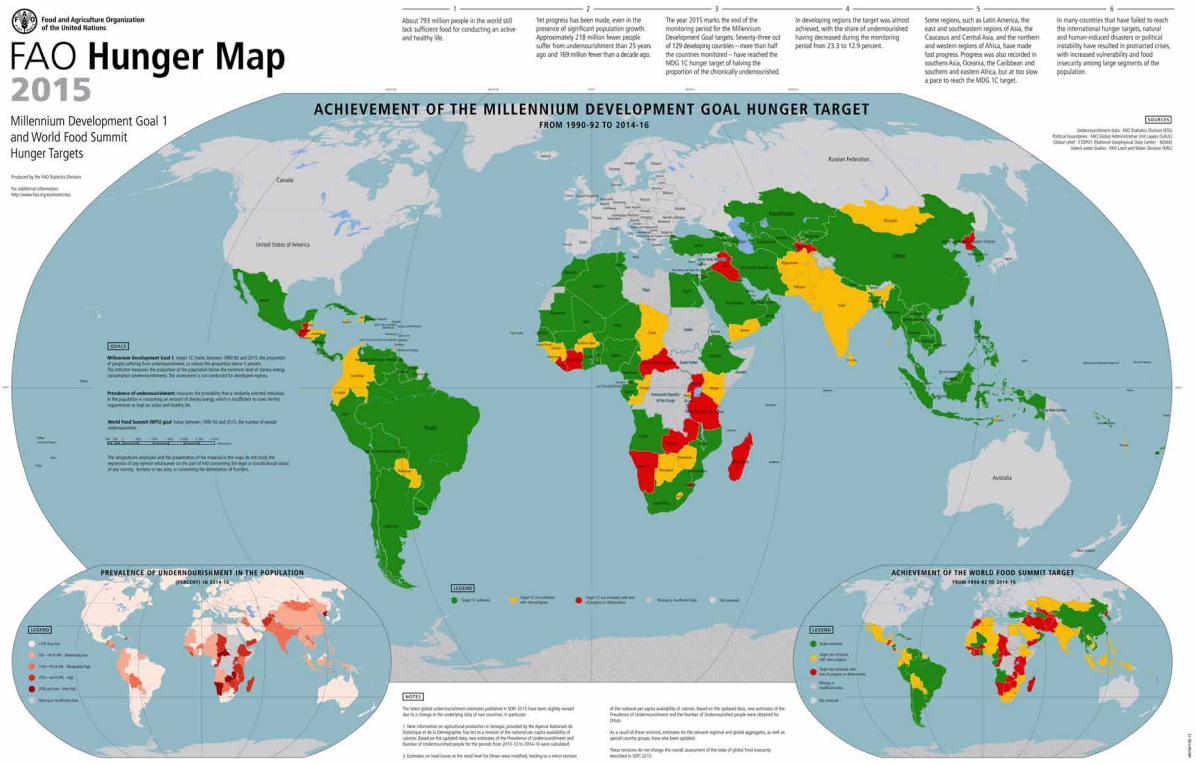
For instance, Yearly FAO Hunger Map is one of the excellent visualized products released from FAO. It presents the progress of food insecurity stories of the entire world even though the written documents of "The State of Food Security in the World 2015" is available as free online published document with many reading text, data tables and visualized charts and graphs (Food and Agriculture Organization [FAO], 2016; Food and Agriculture Organization [FAO], International Fund for Agricultural Development [IFAD], & World Food Programme [WFP], 2015). But, a single colourful map briefs the overall progress of World Hunger Eradication Scheme by spotting the hunger targets driven from the Millennium Development Goals (MDGs), the update of prevalence of malnutrition of the population, and the achievement of World Food Summit target. Behind producing this map, it need big datasets to process statistical analysis and visualize the orientation of World Hunger Situation. It is comprehensive work to complete as well as the availability of all-inclusive dataset is major factor to generate visualized World Hunger Map. But it is worth to be occupied by this comprehensive work because the visualized map may draw great attention from decision-makers and policy developers which is easier to understand the problems area and the location which needs further supports for long term development.

As indicated in the FAO Hunger Map 2015 in Figure 3, the progress of every country and region can be seen through time series data process of relevant indicators from 1990-1992 to 2014-2016. At the end of MDG monitoring periods by 2015, 73 countries have achieved the target of MDG 1 to cut half of malnourished people among 129 developing countries (FAO et al., 2015). Across the developing regions, the target of MDG 1 was almost achieved from 23.3 percent in 1990-1992 to 12.9 percent in 2014-2016. Among developing regions, some regions such as East, Central regions of Asia and northern and western regions of Africa shows fast progress of MDG Target 1 while other regions of Asia, African and Oceania does not give significant progress of MDG 1 target.

To address the prevalence of undernourishment, the measurement indicators are undernourishment or hunger as well as the prevalence of underweight children who are under five years old. It clearly illustrates to understand the vulnerable regions still under the high prevalence of malnourishment, such as south and central Africa as well as west and central Asia regions. Statistically, estimated 793 million of world population are still under food insufficiency situation and it may still be hard to overcome the risk of food insecurity. It present the conditions of availability and accessibility of dietary energy of individual people can be major constraints in the prevalence regions of Africa and Asia. As a result, the target of World Food Summit was not completely achieved but with noticeable progress although some other regions has lack of progress. In the populated regions, there will be many influencing factors

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Figure 3. FAO hunger map 2015
FAO et al. (2015)



caused to increased food insecurity and vulnerability, such as, natural and man-made disasters, political instability and domestic conflicts.

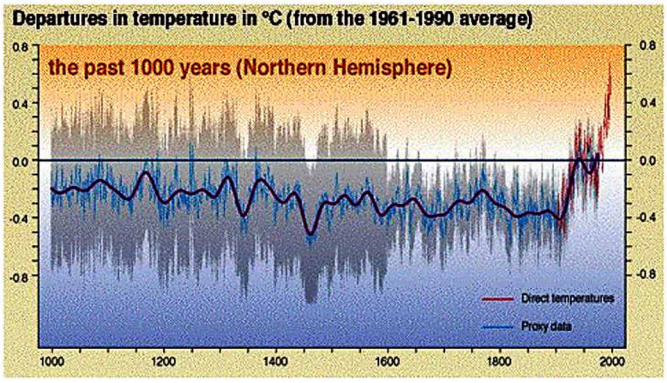
Since visualization is not just a better way to interpret the data with infographic more comprehensible, it is also a better way to achieve understanding of issues, problems, causes and solutions. Developing infographic can create descriptions which build understanding and communication to different level of audience. Another good example of world's famous infographic, namely "Hockey Stick" is one of the famous plot in statistical tools to measure climate change impact in food insecurity.

This scientific visualization as per Figure 4 shows that the world is experiencing the warmest climate in 20th Century started from 19th Century. It happened in the industrialization page of the world due to the extensive burn of coal and oil led to increase carbon dioxide in the atmosphere. It affects declination of world food production and it directly link with food availability of the households, especially in agriculture sector as well as prevalence of disease and health problems in some regions (Mann, 2013; Muller, 2004). Beside this kind of food security casual graphs, many more metaphors can produce for the better understanding of the inter-related causes to find possible solutions to improve food security.

In fact, there are some statistics and information missing which did not allow to study the situation of food insecurity and malnourishment in some regions. It was one of unfavourable technical barriers found in any statistical big-data process and analysis conducted by the scholars, researchers, practitioners and statisticians. This kind of visualized map or Hockey Stick provide the brief understanding of not only the

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Figure 4. Hockey stick climate change
Mann (2013) and Muller (2004)



progress of the global Food Insecurity and its related causes but also the consideration of the possible problems of vulnerable conditions of food insecurity in the world. If the further information and detailed discussions are required to find out, the written documents are helpful to extend more understanding and knowledge. However, policy-makers as well as decision-makers will have more preferences on statistical visualization than the multiple reading text and data sheets.

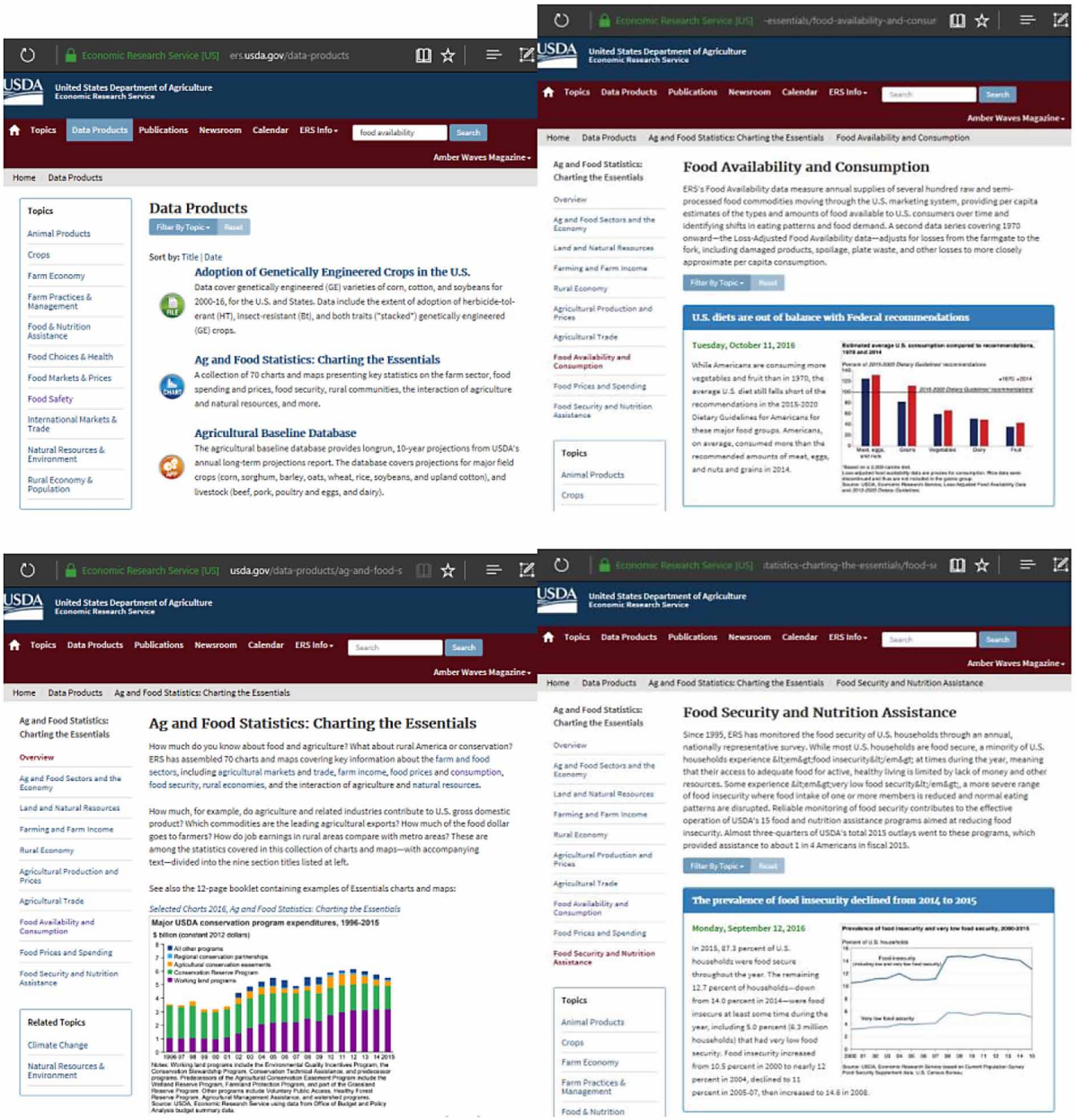
Likewise, there are many acceptable free data sources globally available to access and it makes data users convenient to analyse for various reason of food and agriculture research (Marr, 2016). They are brilliant and internationally well-accepted in order to provide open and big data for statistical literacy. Beside world's largest online database provider of FAO in relation to the information and statistics of food and agriculture, the data sources are not really limited but the reliability and the free access of big data is a constraint for the scholars, researchers and practitioners. Among these data agencies from public sector, the United States Department of Agriculture (USDA) is one of the popular agency in terms of national and international dataset. Economic Research Service of USDA provides various data products, such as the statistics and information of food and agriculture, food safety, international markets and trade, rural economy and population, natural resources and management, etc. Apart from the statistical datasets and written documents, the Economic Research USDA has collected 70 charts and maps of the above domains and make it free available to the public as learned in Figure 5.

The statistical visualizations maps, graphs and charts together with a short summary text provided by USDA are incredibly supportive to the statistical literacy as well as it draw the attention of citizen to easily understand how agriculture contributes to National GDP, the situation of rural economy or environmental and natural resources management. Most importantly to the awareness of reducing the risks of food insecurity, the information and visualized maps, graphs, charts direct benefits firstly to the U.S citizen to understand the progress of food security at the macro and micro level.

As a brief understanding of food security in the U.S. (USDA, 2016) shown in the Figure 6, the share of food expense in total expenditure is the highest in the lowest income households in U.S in 2014; the calories intake is the highest in U.S. at 3,639 calories per day while it is only 2,206 calories in Kenya in 2013 and 2015; the income spent on total food falls from 17.5 to 9.6 percent between 1960-2014 together with declination of income share spent on food at home by showing the ignorance of recommended food balance among the citizens; the prevalence of food security in the U.S. shows that the rate of food

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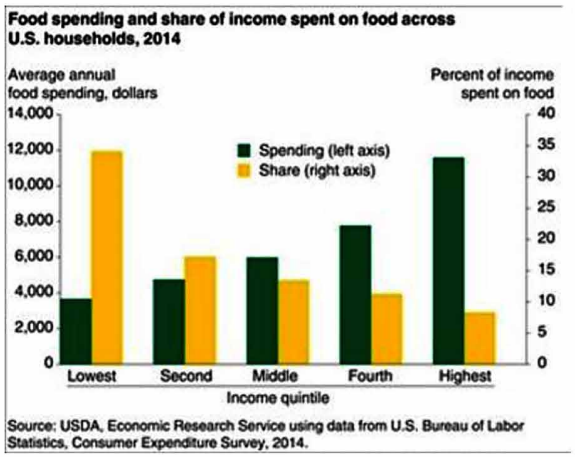
Figure 5. Open data and statistical visualization
USDA (2016)

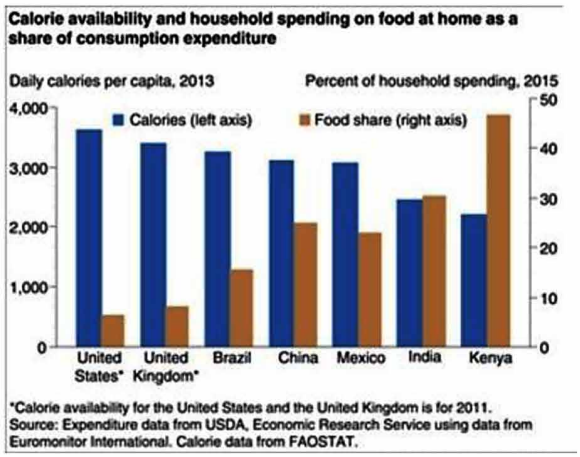


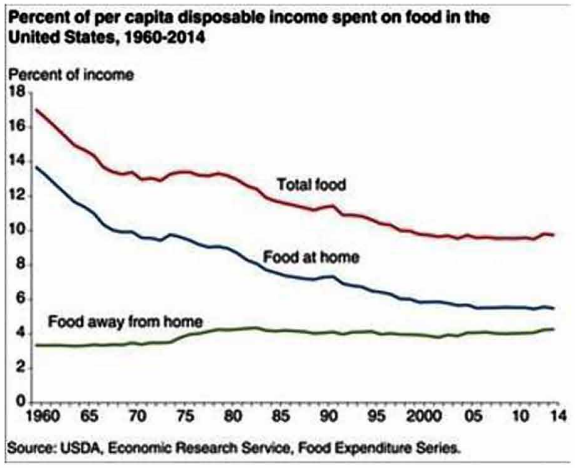
insecure decline from 14% to 12.7% in 2014 to 2015 while 87.3% of U.S. households are recorded as food secure in 2015; For insecurity can be found more in rural and urban than in suburban areas and the significant high rate of food insecurity found at single parent, Black and Hispanic households in the U.S.; food insecurity found more in the adults than in the children but one out of six households with children experienced food insecurity in U.S. in 2015.

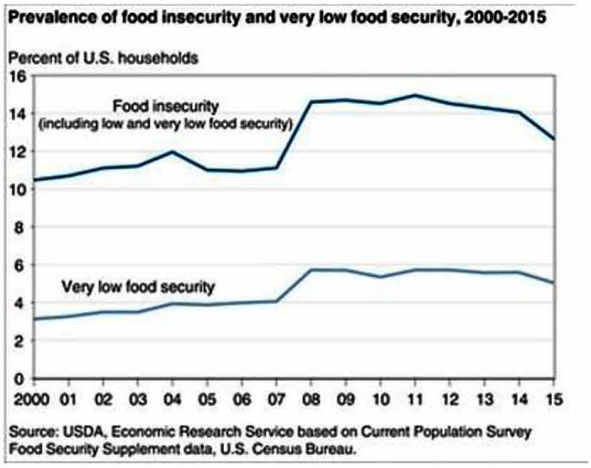
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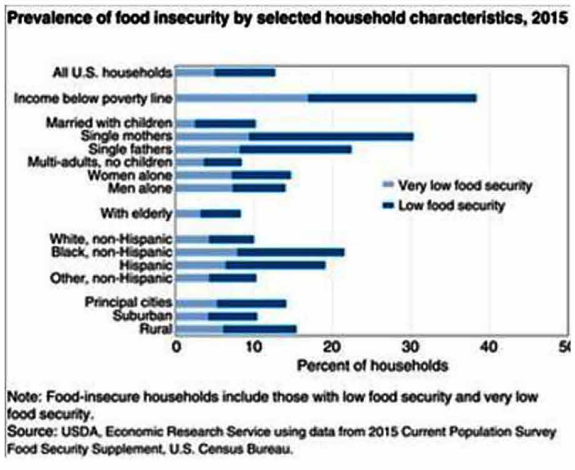
Figure 6. Open data and visualization
USDA (2016)

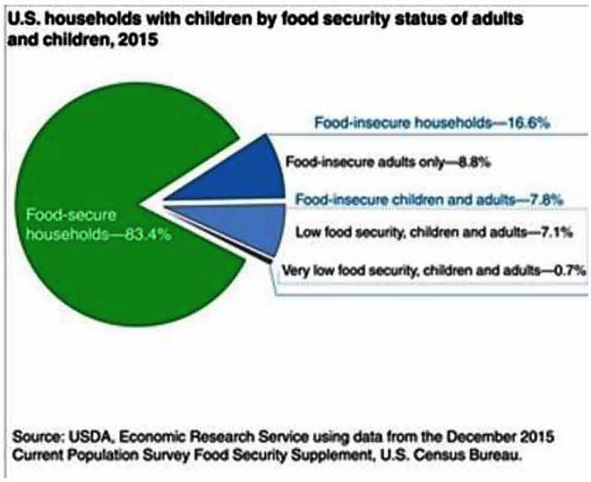












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These visualization about food security makes ordinary people understand straightforwardly what the situation happening in the U.S. Also, it is very accommodating to the high level decision-makers to see the actual condition of food security in both good progress and the area where the attention need to have. But, the statistics and information dissemination in terms of food security in many other government agencies are not as comprehensive and productive as the USDA do to let the data users convenient in both big datasets, visualization charts and graphs. That's the reason, the scholars, researchers and practitioners have been encouraging to the public agencies and departments to aware the usefulness and importance of open data in the world today.

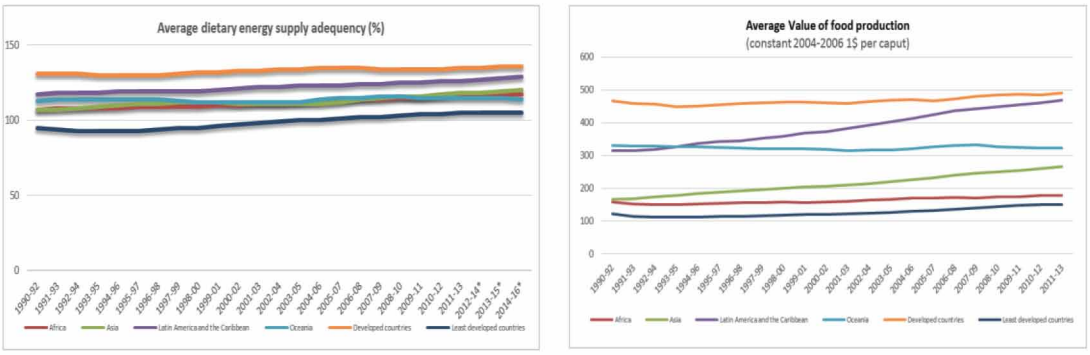
Visualization of Food Availability Across World Regions

In 2011, standard indicators to measure four components of food security were recommended by technical experts of the Committee on World Food Security (Committee on World Food Security (CFS)) Round Table with the consultation and judgment to analysis food security in various reasons (FAO, 2016). Based on the open database available in FAOSTAT, the status of food availability can easily be demonstrated by statistical visualization and economic modelling. Data presentation supported by visualized graphs gives better understanding of food insecurity in terms of food availability in all regions in the world. For example, it is easy to see who needs helps most and where the most vulnerable region is. Consequently, attention can be directed to further corrections or new initiatives to improve the supply of food for those people. Without this assessment enabled through visualised data, it can be hard to measure progress and to make the right decisions about food supply in vulnerable regions.

The indicators of food availability are adequacy of average dietary energy supply, average value of food production, share of dietary energy supply derived from cereals, roots and tubers, average protein supply, and average supply of animal protein (FAO, 2016).

The visualized graphs in Figure 7 present a quick snapshot of food availability in developing regions across the world. They cover Asia, Africa, Latin America and the Caribbean, Oceania, developed countries and least developed countries to illustrate the different levels of food security based on the recommended indicators. The visualized graphs demonstrated the time series datasets from 1990-1992 to 2014-2016 to compare regional trends from one period to the next. The graphs demonstrate, as an example, that the average dietary energy supply adequacy of developed countries was significantly higher than other

Figure 7. Visualization of food availability across the regions in the world
FAO (2016)



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regions, while the fastest rising trend occurred in least developed countries from 2000. This indicator allows viewers to predict the sufficiency of food supply and thereby to address the causes of malnutrition in regions. In terms of average value of food production, this is steadily increasing in Latin America, the Caribbean and Asia but other regions remain the same. There is no argument that the poorer we are, the more we need a secure food supply.

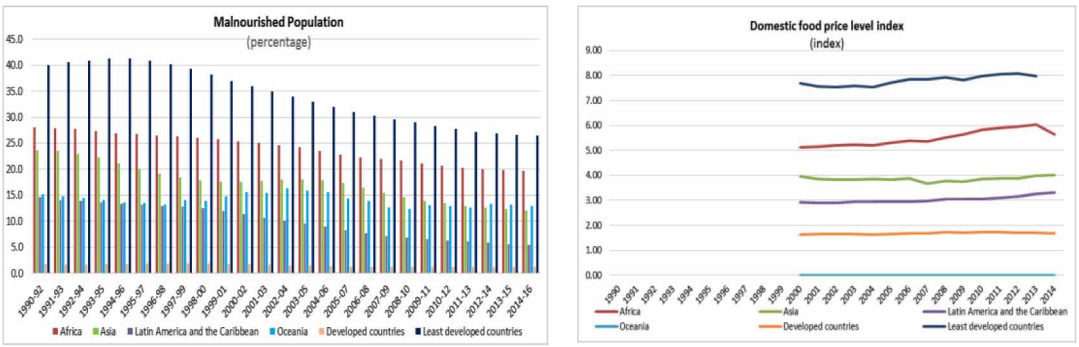
Again thanks to these visualized indicators of food availability, it is easy to see that food supply is significantly high in developed countries, followed by the some other developing regions, such as Oceania, Latin America and the Caribbean. The regions where the nutritional energy supply is highly dependent on cereal, roots and tubers, such as Asia, Africa and the least developed countries, may be at high risk of food insecurity, due to such issues as political instability, climate change, and man-made and natural disasters. However, we cannot determine the prevalence of food security by food availability indicators only.

Visualization of Food Accessibility Across World Regions

Similar to food availability, the indicators of food accessibility were produced by the Committee on World Food Security (Committee on World Food Security (CFS)) Round Table in 2011. The indicators of food accessibility comprise percentage of paved roads over total roads, road density, rail line density, GDP per capita (purchasing power equivalent), domestic food price index, prevalence of undernourishment, proportion of food expenditure by the poor, and depth of food deficit. For the purposes of visualizing food accessibility in relation to food availability, the regions are the same as those mentioned above. The indicators identify mainly the socio-economic characteristics of households to find the affordability of food in the region.

Using the indicators of food accessibility, the graphs in Figure 8 are a visualization of the malnutrition experienced in poor regions, such as the least developed countries of the world, followed by developing countries in Africa, Asia, Oceania, Latin America and Caribbean. It is clear that the developed countries experience enough food accessibility. In terms of the domestic food price indicator, the least developed countries, followed by Africa and Asia, experience higher prices compared with other regions and there could be an unstable food market in these regions. Basically, it is necessary to measure the indicators of transportation resources, such as road and rail density, to establish the exact status of food accessibility.

Figure 8. Visualization of food accessibility indicators across the regions in the world
FAO (2016)



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In addition, the average proportion of total household expenditure on food is an important indicator. In this respect, the statistics of some indicators of food accessibility are missing from the FAO database. This may be caused by a technical constraint or by lack of resources to identify the major poor and their needs in the regions. Such technical barriers and poor resources make it harder to make the best decisions about what attention and support should be added to improve food security in vulnerable regions of the world.

In summary, this section shows emphatically the importance of statistical literacy to get quick understanding of food security in all regions of the world. It is not completely possible to collect time-based food security data across the regions of the world due to a number of constraints, including the technical capacity and investment. However, there is great benefit in having open data services that allow the public to access time-based data easily and freely without having to undertake their own field surveys and data collection. This open free data is a valuable resource for research, and for the preliminary or initial assessment of food security in a particular country or region or the world as a whole. Visualized data also helps attract the interest and attention of policy makers in meeting the needs of food accessibility worldwide.

Why Is Visualization and Open Data Important in Food Security Analysis at National Level: Myanmar?

Food security is a global as well as a regional and national issue, and every nation should have a strong will and perception to reduce food insecurity for the better lives of its citizens. Consequently, policy makers must have enough understanding of social and economic strategies in relation to food security to develop evidence-based policies. In this respect, food security assessments with available information and statistics are the initial step needed to address potential problems specifically and recommend possible solutions sensibly. It is best to supply adequate and affordable food to the people of a nation before sharing surplus food with the region and the world. The right policy will not be laid down if there is no right decision. For this reason, the information stream as well as open data sources at the national level must be strong enough, with good functionality and technical capacity since it is crucial to make the right decisions and the right investment to fill gaps in food security. This section discusses these issues specifically in relation to Myanmar.

Despite open access to big datasets from the non-government sector, there are many debates and different findings in studies of poverty in Myanmar by UN agencies and other international organizations. Although they have used the same datasets, different organizations have reached different conclusions about food insecurity in Myanmar. Additional analysis using open source data, plus perhaps using other datasets not used in the original analysis, may help explain these differences and lead to greater understanding of the true situation. As food security is a complex issue, it requires big datasets from various sources to deal with the many parameters that cause food insecurity.

Many studies shows the high prevalence of poverty in all rural areas. These studies include the findings of Integrated Household Living Consumption (IHLC) surveys done by United Nations development Programme (UNDP) in collaboration with the Myanmar Ministry of National Planning and Economic Development (NPED) in 2005 and 2010 (Institute for Democracy and Electoral Assistance [IDEA] & Integrated Household Living Conditions Assistance [IHLCA], 2007; Integrated Household Living Conditions Assistance [IHLCA], 2011). These were the most comprehensive surveys and primary data collection processes ever undertaken to assess poverty levels in Myanmar. Interestingly, however, Myanmar was

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also recorded as reducing the prevalence of malnutrition from 62.6% in 1999-92 to 14.2% in 2014-16, an achievement that ranked it at Millennium Development Goals (MDGs) No. 1 in 2015. The number of undernourished people fell from 26.8 million in 1999-92 to 7.7 million in 2014-16 (FAO et al., 2015).

However, there was confusion over the findings of these food security assessments, due to two major constraints. The first constraint was the lack of up-to-date total population figures for 1999-92 (the last population census was done in 1974 and the updated one was done in 2014). The second constraint was the exclusion of the population in the border areas (where samples were not taken due to ongoing conflict at the time of survey) (Livelihoods and Food Security Trust Fund [LIFT], 2016). Nevertheless, the IHLCA result is the single most reliable source of knowledge and a comprehensive picture of poverty prevalence in Myanmar. In 2011, the Livelihoods and Food Security Trust Fund (LIFT) Myanmar conducted a baseline survey and a household survey to measure poverty using household consumption data. It covered 252 villages in three agro-ecological zones of the Delta/Coastal region, the Hilly region and the Central Dry Zones, as well as Rakhine State. A total of 200 samples was collected ((Livelihoods and Food Security Trust Fund [LIFT], 2012, 2016). This was one of the most popular and single food security baseline survey done in Myanmar and the outcome and baseline datasets are available to the public through the LIFT website and the Myanmar Information Management Unit (MIMU, 2014-2016).

In terms of food poverty (based on minimum food expenditure on caloric requirement for household members), 10% of the total population was affected in 2005 (IDEA & IHLCA, 2007) but this had declined to 5% by 2010 (IHLCA, 2011). Food poverty in rural areas is higher (about 5.6%) than in urban areas (2.5%). Almost 85% of total food poverty occurs in rural areas and the Ayeyarwady (18.7%), Mandalay (16%), Shan (15.4%) and Rakhine State (14.9%) are the four major contributing state/regions in national food poverty. Follow up assessment by the IHLCA (IHLCA, 2011) five after years the previous IHLCA found that 25% of the total population are below the poverty line (based on (i) minimum food expenditure on the caloric requirement of household members and (ii) reasonable non-food expenditure to meet basic needs) and this has declined from 25.6% in 2005 (IDEA & IHLCA, 2007). Poverty prevalence in rural areas is double (at 29%) that of urban areas (15%). Almost 85% of total poverty in Myanmar can be found in rural areas. The findings of UNDP show that the highest poverty occurs in mountain, coastal and delta regions, such as Chin (73%), Rakhine (44%), Tanintharyi (33%), Shan (33%) and Ayeyarwady (32%). The four major contributing states and regions to food poverty namely, Ayeyarwady (19%), followed by Mandalay (15%), Rakhine (12%) and Shan State (11%) (IHLCA, 2011) are also major contributors to national poverty rates.

It is interesting to note that the prevalence of poverty differed in the studies analysis done by the UNDP and the World Bank although they applied the same dataset and time frame of Integrated Household Living Consumption Analysis (LIFT, 2016). In 2014, the World Bank announced poverty rate for Myanmar of 37.5% in 2014, with the worst poverty in the Rakhine (78%) and Chin (71.5%) regions. (World Bank, 2014). By zone, the World Bank found that the central dry zone had the lowest poverty rate (29.5%), while the coastal area had the highest (53.1%). These are the complete opposite of previous findings from the UNDP. The World Bank applied an international method, using the cost of basic consumption expenditure (less than US$1 per household member per day), the caloric threshold of 2300 calories/day/adult and other related indicators, such as health costs, cost of durable goods, etc. to measure the poverty line across the region. Poverty occurred in landless households or those with less than 2 acres of land (World Bank, 2014).

Conversely, the result of the Household Survey (2013) undertaken by LIFT showed that 29% of the population in these zones is living in poverty. The poverty figure was completely different to a previ-

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ous analysis done by the UNDP and the World Bank. It showed that the lowest poverty rate occurred in the Hilly region and the highest poverty rate was in the Central Dry Zone (LIFT, 2012, 2016). LIFT applied the extreme poverty measurement of consumption rate (less than US$1.25 per person per day). Thus, it is not possible to compare all findings of poverty rates in Myanmar since the methodologies applied by the UNDP, The World Bank and LIFT all differed (IHLCA, 2011; LIFT, 2016; World Bank, 2014). However, it cannot be denied that the highest poverty occurred in the most populated rural area in Myanmar, an area which has also suffered from prolonged food insecurity. The point here is that a single research project or assessment through statistical analysis is not always enough to examine a number of problems and recommend potential solutions, in this case to solving food insecurity.

On the other hand, however, some literature (Fujita, 2003; Kurosaki, Okamoto, Kurita, & Fujita, 2004; Okamoto, 2009) has identified two major causes of household food insecurity in relation to the agriculture sector in Myanmar. These causes are: 1) low agricultural production (and therefore low food availability) associated with less crop diversification, limited access to land, irrigation facilities, climate variability and climate change problems, and 2) weak market performance, including poor income and investment and road infrastructure in relation to food accessibility. These are the underlying causes that disrupt the food production sector on the supply side and make food access a burden, especially for the rural poor in Myanmar. Access to open data will be required in order to examine and validate these causalities and then find potential solutions to food insecurity.

A successful food security and statistic information system needs continuous monitoring as well as reliable data collection methodology to regulate the data and information. It will help to meet the demand from decision-makers for food security information and statistics, as well as from data users at different levels for different purposes, such as development partners, donor organizations, scholars, researchers, etc. In Myanmar, the public has very limited access to open data sources released by government agencies. The only source for open data released by the government in Myanmar is the Central Statistical Office (CSO; 2017 February 2), under the Ministry of Planning and Finance, where data are gathered from all ministries. Historically, the statistical data collection system of the CSO seems to have been internal data reporting from the ministries to central government and the open data is available to the public only as a published book (Shwe & Hlaing, 2011).

At present, the statistics and information of food and agriculture can access through the official Government website of CSO and Myanmar Statistical Information Service (MMSIS; 2015) (CSO, 2008; MMSIS, 2015; Planning Department, 2012, 2014). The data is divided into 17 domains at the national level and, as stated above, it is a statistical year book published by the CSO but it is not open data to access freely (CSO, 2008). The Myanmar Statistical Information Service releases the statistical database with 12 domains. Unlike the USDA database system, the CSO database service has no statistical visualization graphs or charts with short explanation text to let the citizen understand the social and economic situation with regard to food security in Myanmar. Thus, data availability and accessibility in Myanmar is a critical constraint for all users of food and agriculture sector data (Shwe & Hlaing, 2011).

In this respect, the primary data collection relating to food security was initiated by international technical agencies and development partners in Myanmar. Most of the outcomes of food security assessment or analysis are available to the international network through Myanmar Food Security Information Network (FSIN). FSIN Myanmar is a network of technical experts and information managers from 30 lead food security stakeholders joined by UN agencies, international and local NGOs and CBOs, funded by the Livelihoods and Food Security Trust Fund (LIFT) Myanmar (Food Security Information Network [FSIN], 2013a, 2013b). Thus, the information and statistical literacy of food and agriculture is stronger in

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the non-government organizations than in the Myanmar government agencies, although the nation-wide primary data collection is done periodically by the CSO and its related ministries. It is totally opposite to the open data services provided by the USDA, due to the statistical literacy of the database system and visualization and affordable resources. It may be that the political instability in Myanmar affects the awareness of the value of data transparency and the lack of statistical literacy in the country.

Visualization of Food Availability at National Level: Myanmar

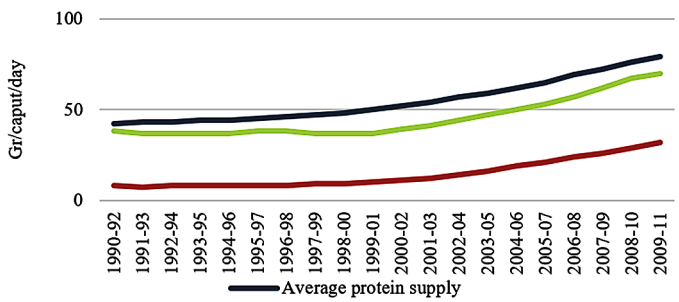
In terms of the concept of food availability, Myanmar has been nationally food self-sufficient, with rich resources in production staple food, such as rice, pulses and fish, for decades (Byerlee, Kyaw, Thein, & Kham, 2014; Denning, Baroang, Sandar, MDRI team members, & MSU members, 2013; Food and Agriculture Organization [FAO] / World Food Programme [WFP], 2009, 2016; Haggblade & Boughton, 2013; Haggblade et al., 2014; Kyaw, 2006, 2009; Kyaw & Routray, 2006; Oo, 2012; Rammohan & Pritchard, 2014). According to the visualized graphs derived from the FAO database, the average dietary energy supply in Myanmar increased to 113% in 2014-2016 from 109% in 2012-2014 (LIFT, 2016) and 77% in 1990-1992 (FAO, 2016). Despite these indicators showing that the national food supply means self-sufficiency in terms of total calories (LIFT, 2016), there are many food-deficit households in the remotest hilly region and central dry zone area (World Food Programme. [WFP], 2012).

To food availability at the national level, food adequacy of staple grains for carbohydrate and protein in terms of total calories can be applied. Figure 9 compares the Myanmar average supply of fat, protein and animal protein per person per day (averaged over 3 years) from 1990-1992 to 2009-2011. The average protein supply increased from 42 grams per person per day in 1990-1992 to 79 grams per person per day in 2009-2011. In a similar trend, the quantity of average animal protein rose from 8 grams per person per day in 1990-1992 to 32s gram per person per day in 2009-2011. The average fat supply rose from 38 grams to 70 grams per person per day in the same years. According to this result, the supply of protein and fat presents no burden at the national level in Myanmar.

In comparing the average dietary energy supply adequacy of Myanmar with developed countries, developing countries, least developed countries and Asia, Myanmar's rising trend is significant in relation to the improvement of the least developing countries, as can be clearly seen in Figure 10. While Myanmar has improved its dietary energy supply sufficiently to move up and out of the least-developing-country category, it still needs to improve its energy supply to reach the level of Asia and developing countries.

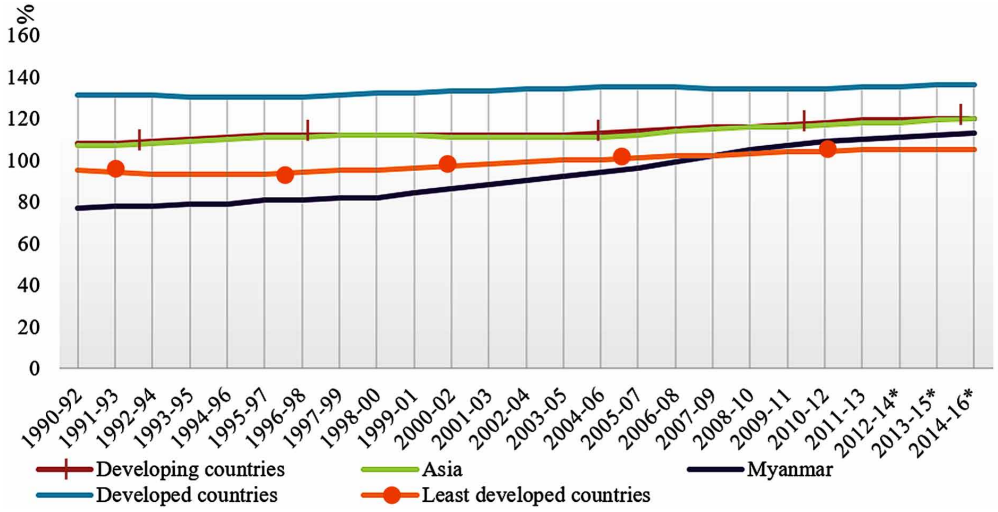
Interestingly, the percentage of energy derived from cereals, roots and tubers in the average dietary supply adequacy, as shown in Figure 11, has been declining slightly from 2002-2004. This may be

Figure 9. Quantity of average supply of fat, protein and animal protein in Myanmar (averaged over 3 years)
FAO (2016)



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Figure 10. Average dietary energy supply adequacy (%) in terms of total calories in Myanmar
FAO (2016)



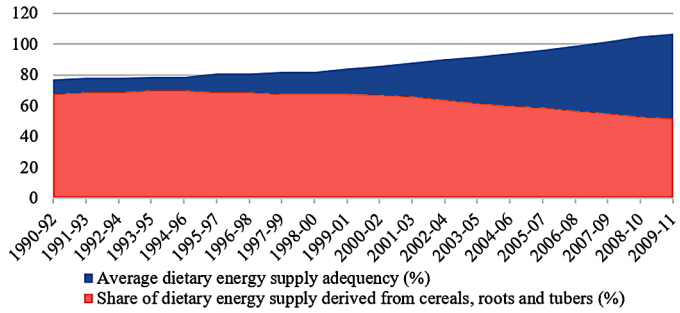
interpreted not as a result of lower overall food production but because of increasing quantities of fat, protein and animal protein, as shown in Figure 9.

With the benefit of visualization from the FAO datasets, the state of food availability in Myanmar is quickly understandable. These data are not available from the open database of the Myanmar government sector, even though they have been reported inter-ministries and central government. As discussed earlier, this is one of the major obstacles to data availability and transparency in the country.

Visualization of Food Accessibility at National Level: Myanmar

Household food accessibility is problematic in Myanmar and it can be difficult for many families to secure their daily dietary needs. This indicator measures the quality and quantity of food that the family consume in their daily life. In addition, socio economic indicators such as the cost of food as a proportion of total expenditure, market performance and road infrastructure are important if we are to understand the problems of food accessibility (Food and Agriculture Organization [FAO], 2008a, 2008b, 2016).

Figure 11. Share of dietary energy supply derived from cereals, roots, and tubers in average dietary energy supply in Myanmar
FAO (2016)



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In the past, the cost of food as a proportion of total household expenditure could not be differentiated between rural and urban households in Myanmar. Thanks to big data, however, this difference can now be identified and analysed. The 2007 IHLCA survey found that national food expenditure is at a high rate of 73% of total expenditure. Food accounted for 76.3% of household expenditure in rural areas, compared to 66.3% in urban households. Poor households used 75.4% of total expenditure for food while the non-poor used a slightly smaller proportion of 72.6% (IDEA, & IHLCA. (2007). In this regard, the price of food is integral to accessing food for households. In Myanmar, the domestic food price trend is not stable, as shown in Figure 12.

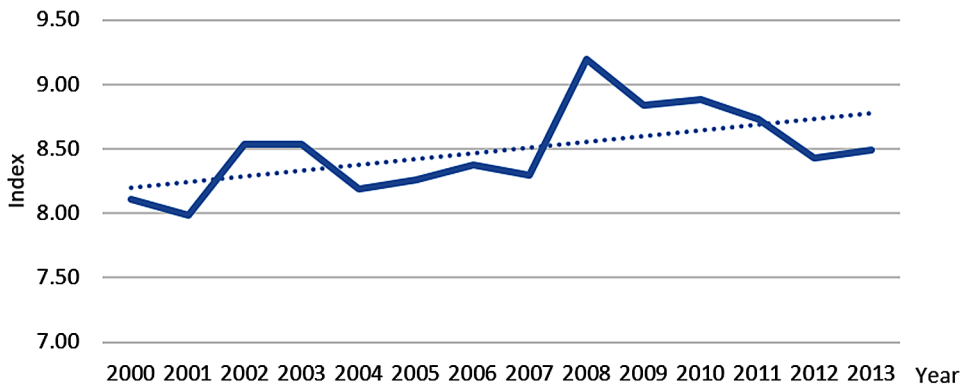
The peak of domestic food costs in 2001-2003 reflect changes in market policy and the compulsory rice procurement system in Myanmar (Fujita, 2003; Kurosaki et al., 2004; Okamoto, 2009). Another spike in 2008 reflects increases in domestic food prices due to the negative impacts of the global food and oil crises on the Myanmar agriculture sector, principally higher food production costs (Hlaing et al., 2009). Thus, the fluctuation of domestic food price has associated with negative impacts to the affordable of food in rural households.

One of the most significant indicators of a household's dietary diversity (HDDS) is to measure its socioeconomic status. However, Myanmar has no national HDDS data (LIFT, 2016). According to a LIFT survey (LIFT, 2012), the lowest mean of HDD in Myanmar occurs in the Hill Region (4.80) and Rakhine State (4.74), while the Coastal Region and Dry Zone are at 5.45 and 6.28 respectively.

As discussed above, the published research and analysis of food security by researchers, practitioners, development organizations and donor agencies do help address the possible causes of and potential solutions to food insecurity in Myanmar. Although something is better than nothing, data users are still in great need of statistical analysis through modelling. Most importantly, statistical visualization is too undeveloped to give policy-makers, donors and development partners a quick overview of food insecurity and support the country's food security development program better. Interpreting Myanmar's open data and big data with visualization and relevant literature, the food security status of Myanmar can be noted as sufficient at the national level of food availability. However, it clearly shows the threats to food accessibility at household level.

The benefits of statistical literacy are well accepted and recognized worldwide as an important aspect of open and big data. In this regard, Myanmar policy makers need to consider the potential value of developing a time series visualization of food security, which does need a certain level of investment

Figure 12. Domestic food price level index in Myanmar
FAO (2016)



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to develop a well-functioning food security open database system. Because most food security analysis begins with impact assessment, a major assumption and an economic model, these food security activities have been hindered by poor access to open data and limited data transparency on the part of the government. Such an analysis can be channelled directly to decision-makers and politicians to help them understand who are suffering the most from food shortages and where.

Poor data will continue to cause problems in many areas, from researchers and analysts all the way through to the highest-level decision makers. Poor quality data produces poor evidence and research results. Poor results lead to poor communication in terms of advice and guidance to policy makers, governments, NGOs, development agencies and donors, as well as to business leaders, and ultimately sub-optimal performance and failure to meet goals. The benefits of open data sources on infographics will give policymakers and politicians a visualized concept of the factors influencing food insecurity. Such visualized concepts will also help them to overcome the risks of food insecurity, such as resources allocation in both technical literacy and investment in food-deficit regions and the country as a whole. Visualization can become a powerful communication strategy to convey key messages about food security to decision-makers. It is a good strategic tool to educate and inform policy makers, guide food security investments, and provide a tool for monitoring and evaluating impacts.

CONCLUSION: OPPORTUNITIES AND CHALLENGES

Statistical literacy helps the decision making process to some extent, and gives development partners and donors better information with which to recognize the strengths and weakness of a current food security situation and from there to take necessary action and support the people. Food security policy objectives are positively associated with the causes of food insecurity in many households in relation to marketing policies, land policies, and cropping patterns, supported by sufficient investment in agriculture to stimulate the livelihoods of rural people in Myanmar. If insufficient investment and resources are put into the statistics and information database system, better policies and actions will never be developed in the country.

We have many opportunities in big data sites but we have many challenges as well. For example, there are three key challenges around big data currently. These are (1) possible risks from investing in data, understanding how the data will be driven and what its value is, (2) regulatory issues faced by customers in accessing and using big data, such as removing legal and technical barriers openness to accessing and using big, open data, and (3) conflicting interests between business and government over ownership and dissemination of big data via the interest. Data visualization is fundamental to understanding more about future trends of a business or industry. The application of data analysis supports the idea of key business drivers to improve weaknesses or change incorrect actions in existing programs (Samuel, n.d.). While the data itself is understandable, the data analysis adds value to the questions of what, why and how to overcome a problem and improve the business. The use of open data and big data is proliferating, governments are expanding their recognition of its many benefits, researchers and practitioners have more opportunities to use open data and the use of visualization is increasing. Thus, the opportunity to gain better understanding of food insecurity situations based on upgraded statistical data analysis tools for researchers and practitioners globally is extremely promising.

However, there are still many challenges to attaining ideal conditions of data availability and accessibility, such as transparency, integrity and accountability; these challenges continue to hinder researchers

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and practitioners as well as scholars and academia from finding out the root causes of, in this case, food insecurity in a particular nation or region in the world. In many research areas, the continuing problems that we face include the poor communication links between evidence gathered through research and investigation, and the influence of this evidence on policy makers, and guiding governments' and donors' investments. Visualization may become an important and powerful communication strategy to convey particularly complex concepts, such as causes of food insecurity, explaining findings, and recommending actions and investments. Thus visualization in this complex food security policy area becomes a very important strategic tool to educate and inform policy makers, guide good food security investments, and provide a tool for monitoring and evaluating impacts in a country, a region and the world as a whole.

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Chapter 40
Reducing Poverty and Sustaining Growth:
A Microfinance Approach

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ABSTRACT

Microfinance institutions have been effective rural banking channels that extended financial services to low-income individuals, particularly women in developing country settings. Since its inception, microfinance has evolved as an economic development approach and has grown to enormous scale in Bangladesh, with a reported approximate 23 million borrowers in a country of roughly 150 million people. These numbers reveal the highest population saturation of microfinance in any country. However, with the maturity of the microfinance market in recent years, competition has subsequently increased among various financial and non-financial institutions. Against this backdrop of intense competition, this chapter aims to focus on the current institutions of Bangladesh that has made the microfinance service almost a sole option for the downtrodden segment of the low-income society. In particular, various approaches of microfinance and its operational structure by these institutions including the challenges and attributions of a dynamic micro credit concept will be highlighted.

INTRODUCTION

The concept of microfinance has evolved as an economic development approach targeted as a potential weapon in uprooting poverty and assisting the poor effectively to improve their living status and livelihoods significantly. The popularity of microfinance has made it the core activities of hundreds of microfinance institutions (MFIs) across the world, particularly in developing countries like Bangladesh. In fact, it was Bangladesh which pioneered and fostered the institutional development of microfinance

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and today it has reached an enormous scale with approximately 23 million borrowers in a country of roughly 150 million people.

Microfinance institutions have extended financial services mostly to rural areas where otherwise it would be more expensive and unprofitable to open branches of traditional banking institutions. Moreover, since the rural population living under the poverty line and the poor with lower income is still out of any formal credit services in Bangladesh, microfinance institutions have made it a point to provide credit to the poor through small savings under the dynamic microcredit concept. Microfinance has thus become the main form of rural finance in Bangladesh. The effectiveness of the microfinance concept is such in Bangladesh that its systematic, group-based and institutionalized operations have been replicated all over the world with local modifications and adaptations.

In the context of Bangladesh, microfinance institutions have gained credence as the providers of an effective poverty alleviation tool from both practitioners' donors and policy makers of the country. However, the case of microfinance in Bangladesh and its success as the largest and most efficient sector has only been achieved through the support of both government and non-governmental organizations, subsequently increasing competition among various institutions of the microfinance market. This chapter therefore aims to shed some light into the present status of the microfinance institutions currently operating in Bangladesh. To pursue this purpose, four prominent institutions involved in the provision of microfinance in the country have been highlighted. Findings of this chapter will provide further insights into understanding the microfinance models followed by these institutions, their operational structures and the generalized challenges they face. In addition, this study can assist various financial and non-financial institutions to understand the importance of microfinance and develop and implement microfinance concepts in a more profound way in Bangladesh.

BACKGROUND

Microfinance is generally known as a sustainable means of poverty alleviation leading to lasting, holistic development, particularly in the settings of developing countries. It has evolved from the time of its inception as an economic development approach that benefits the financially disadvantaged people, like those with low and unstable incomes, little or no land/assets and low social status in rural and urban areas (Maanen, 2004). The main idea behind microfinance is to provide these people with credit and other financial services of very small amounts so that they can raise their income levels and improve their living standards (Khalily, 2004). The concept of microfinance is a trial and tested one which believes that the involvement of lending-repayment process with different socio-cultural activities can result in the empowerment and social development of the overall community, especially the women (Yunus, 1998). Microfinance has also been viewed as a sustainable finance option and an effective rural banking channel for the unbanked population of developing countries.

Microfinance first evolved in the 1970s with the name "microcredit" and eventually became a tremendous movement of implementation by receiving the widest coverage compared to other poverty alleviation programs across the world (Ahmed, 2001). As such, around 160 million people in various developing countries are today served by microfinance. Historical context evidences that it was during the 1980s that non-governmental organizations (NGOs) came into existence and initiated the service offerings of small loans to women, so that they can invest in business, accumulate assets and increase their income

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to a substantial level (Zaman, 2013). Moreover, since banks could not afford to provide micro loans to poor people owing to the lack of collateral and financial assets, NGOs gained further momentum in this micro credit arena. Although there always have been other non-commercial and informal money-lenders like credit unions and lending co-operatives, lack of insecurity in the lending and borrowing process and mostly the absence of collateral made micro credit through NGOs a popular phenomenon.

The concept of micro credit was then transformed into a modernized version of microfinance and the credit of pioneering this goes to Dr. Mohammad Yunus. Yunus initially began experimenting with lending to poor women in the village of Jobra, Bangladesh and over time established an institutionalized version of the micro credit model, namely Grameen Bank (Rahman, Luo, Ahmed & Xiaolin, 2012). The Grameen model mainly involves small loans to women with fixed terms and amounts, group liability, weekly meetings, forced payments into a group savings account, etc. The basic idea is to provide the poor people of Bangladesh with credit without collateral (Shil, 2009). This simple yet classic method of delivering micro credit soon became a global movement and managed to capture publicity, billions of dollars of financing, large numbers of customers and even earned a Nobel Peace Prize for Dr. Yunus (Leikem, 2012).

According to Morduch (1998), Grameen Bank is the flagship of the international microfinance movement, whose model has been replicated on four continents and consequently, it became a formal tool for global poverty reduction across the world. With the progress of commercialization, microfinance facilities also got initiated in different institutions and other NGOs in Bangladesh in order to ensure smooth economic development. Thus, the golden era for the microfinance industry of Bangladesh begun in 1990s as various models of microfinance, with some local modifications and adaptations, converged towards the comparatively uniform "Grameen-model" of delivering microfinance to the impoverished without requiring any collateral (Alamgir, 2010).

Microfinance thereby became a popular economic development practice in Bangladesh, as a result of which, the microfinance sector of Bangladesh is currently considered as the most dominant and efficient one in the world (Zaman, 2013). This growth, however, took place during several distinct phases over more than three decades after the country got its independence. There was a time when commercial banks, agricultural banks and cooperative societies were the primary sources of small loans for various types of borrowers like farmers, traders and cottage industries, particularly before the arrival of micro credit concepts in Bangladesh. However, these institutions were more inclined to provide small loans to special borrowers rather than to the poor population. Moreover, these banks used to demand for collateral in order to sanction any loan and have rarely been interested in small loans with the exception of Islami Bank Bangladesh Limited which had large retail microcredit operations even at that point of time (Alamgir, 2010). On the other hand, there were agricultural development banks like Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB) that used to target and still targets only the small, medium and large farmers who could offer land as mortgage (Aziz, 2012). According to Hulme and Moore (2006), it is the microfinance industry, particularly the micro credit operations that has drastically changed this scenario and made it possible for more than 13 million poor households of Bangladesh to have access to credit. This easy accessibility of microfinance, in turn, has directly or indirectly affected the social conditions of the country to a large extent.

Today, there are four types of institutions involved in microfinance activities, namely Grameen Bank (GB): a member-owned specialized institution; NGOs like Bangladesh Rural Advancement Committee (BRAC), Proshika, Association for Social Advancement (ASA), BURO, etc; commercial and specialized

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banks like Bangladesh Krishi Bank (BKB), Rajshahi Krishi Unnayan Bank (RAKUB), Dhaka Mercantile Cooperative Bank Ltd. (DMCBL), etc; and, government sponsored microfinance projects like BRDB, Swanirvar Bangladesh, etc. Even though there are hundreds of such organizations offering microcredit in Bangladesh, the bulk of the borrowers borrow from a handful of large organizations like Grameen Bank, BRAC, ASA, and Proshika. Hence, this study focuses on these four major institutions, which played revolutionary roles in alleviating poverty to a great extent from the rural areas of Bangladesh.

ISSUES, CONTROVERSIES, AND PROBLEMS

Bangladesh is often cited as the birth place of microcredit and one of those countries where the impact of the microfinance programs have been massive. Yet, the present coverage of the microfinance industry only stands about at one-third of rural households of the country through several hundreds of small to giant microfinance organizations (Mia & Ramage, 2011). This has resulted in yielding mixed impressions about the impacts of microfinance programs as rural banking channels in the context of Bangladesh.

In general, one of the major issues that surrounded the operations of MFIs has been the problem of overlapping. Since the concept of microfinance programs does not require documentary collateral against credit on the basis of the assumption that the targeted poor population owns no collateral, many borrowers tend to hide information about their current loans and try to obtain multiple loans from different sources in the same time periods. This causes a complex situation in this collateral-free lending system for people who are economically vulnerable and incapable of generating income from any other activities. Moreover, there are various other contextual controversies that are directly or indirectly related to this issue of overlapping in the microfinance programs. For instance, the profit-making objective of particularly the large MFIs resulted in high interest rates and an unhealthy competition among the operators in the microfinance sector. Additionally, the absence of regulatory authorities in this large and distributed financial market of the country further paced these competitions. Even the funds channeled by the Palli Karma Sahayak Foundation (PKSF), the world's largest apex microcredit funding institution, forced MFIs towards multiple lending to continue their operations. This is because the creation of high supply of micro credit through PKSF did not match the lack of demand for the MFIs in the borrower community of the rural areas. Consequently, the MFIs ended up taking probable borrowers into the grips of a higher degree of overlapping in Bangladesh (McIntosh & Wydick, 2005).

Besides high competition and pressures of disbursement, the information gap between the loan seeker and the loan provider also aggravated the issue of overlapping. As a result, the overlapped borrower became inclined to enter into a vicious cycle of loans, approaching local moneylenders, liquidating their remaining assets, and ultimately inviting a series of economic and social problems due to their over-indebting loans. It thus becomes imperative that the lack of control over this problem of overlapping is managed in the operational models of the microfinance programs. However, the MFIs have failed in managing this issue in countries like Bangladesh and this has been mostly evident in the operations of giant MFIs like Grameen Bank, BRAC, ASA and Proshika. In fact, concrete evidence of the effectiveness and efficiency of these four large MFIs is still inconclusive.

A number of studies have been previously conducted in order to examine the effectiveness and efficiency of the MFIs with regard to their operations, problems and challenges in Bangladesh. For instance, Khandker (2005) identified some major challenges that are faced by MFIs like overlapping membership

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growth, rising credit risk, etc. Barua (2009) further added some problematic issues encountered by the giant MFIs in Bangladesh like dependency on a single revenue generation model, multiple borrowing or overlapping, severe lack of training and education, lack of innovation and central database, misuse of credit by borrowers, sector-wise disbursement without technical expertise, etc. Alamgir (2010) supported these findings by highlighting other challenges faced by the MFIs like institutional capacity, quality and diversity of services, fallout from political and macroeconomic factors and so forth.

In line with the above studies, Mia & Ramage (2011) and Yuge (2011) also examined the nature, causes and consequences of overlapping in micro credit while Rahman et al. (2012) analyzed the operational mechanism and institutional innovation of large MFIs with regard to their outreach, outstanding loans, savings and efficient service deliveries. Alternatively, Zaman (2013) supported all findings of previous microfinance studies and provided evidence of problems like overlapping in multiple borrowing, lack of reliable database, lack of trained and skilled workforce, less concentration on ultra poor, etc as major issues that the MFIs face in Bangladesh.

Since the livelihood of a large number of people is affected by the microfinance programs of these MFIs, extensive and continuous research is necessary to keep track of their effectiveness. As such, this chapter focuses upon the present status of the microfinance institutions currently operating in Bangladesh, particularly the ones which have the largest micro credit operations across the country.

METHODOLOGY

In designing this research, a case study approach has been incorporated. According to Yin (2009), the case study approach is preferred to conduct exploratory investigations and one of the essential characteristics of using this approach is that it focuses on one instance of the thing that is to be investigated.

Case studies can actually employ various methods, including documentation, archival records, interviews, direct observations, participant observations and physical artifacts (Saunders, Saunders, Lewis & Thornhill, 2011). As such, a case study methodology is seen as an appropriate approach here since case studies can provide a rich understanding of the organization or organizations in question. Case study methodology also emphasize the ability of qualitative research to capture the real-life context within which events take place and to capture the essence of events, especially as they unfold (Gerring, 2007). In addition, Bryman & Bell (2015) argue that case studies can be valuable in situations where existing knowledge is limited, often providing in-depth contextual information, which may result in an in-depth level of understanding. Case studies can even be advantageous when the focus of the study is not typical but something unusual, unexpected, covert or illicit (Johnson, Onwuegbuzie & Turner, 2007). For instance, research on microfinance institutions and their operational activities are limited in number and most of them are simple comparative analysis of the success stories of such institutions. The focus on the activities and product portfolios of the selected microfinance institutions can provide further insights as to the operational structures of the microfinance programs in Bangladesh and the challenges surrounding such activities in the microfinance market. Based on the findings, recommendations have been proposed to promote the development and implementation of the microfinance programs at a larger scale in the country.

The research methods thus include in-depth interviews and secondary sources. Interviews were conducted with the officials and clerical staffs working for each of the microfinance institutions studied

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in this chapter. The representatives from the selected MFIs were particularly interviewed regarding the concept of microfinance, their offerings and how they operate, the problems and challenges they face in serving the rural market, and so on. Based on their responses, a general picture has been represented in this study which reflects the perceptions and perspectives of people involved in the microfinance programs and various aspects of the four large MFIs, currently operating in Bangladesh.

OVERVIEW OF MAJOR MICROFINANCE INSTITUTIONS

The following section provides an overview of the four major and giant institutions that took microfinance to a new height in the country, namely BRAC, Grameen Bank, ASA and Proshika.

BRAC

Bangladesh Rural Advancement Committee or more popularly known as BRAC is a finance-plus NGO that was established in 1972. BRAC was set up as a response to humanitarian need in order to help rural people in a war-torn Bangladesh during the post-independence period (Ahmed & Rafi, 1999). However, within a very short period of time after its inception, BRAC realized that relief work was a short-term measure given the multiple problems that the people faced. Thus, there was a shift in the objectives and BRAC evolved from a relief and rehabilitation organization to a development organization (Rahman et al., 2012).

Eventually, BRAC became a mainstreamed microfinance institution and started housing a very large range of non-financial social and supportive services such as functional, education, livelihoods training, logistical assistance and various social support services (Kabeer, Mahmud & Isaza Castro, 2010). It works particularly with the women from poor families whose lives are struck by acute poverty, illiteracy, diseases and malnutrition (Ahmed & Rafi, 1999). Besides, BRAC has contributed significantly to the educational sector of Bangladesh as well, by helping to achieve gender parity in enrolment and by targeting dropouts and non-enrolled children, particularly girls, in marginalized communities (Asadullah, Savoia & Mahmud, 2014).

Currently BRAC has its branches in all 64 districts of Bangladesh as well as in Afghanistan, Pakistan, Sri Lanka, Uganda, Tanzania, South Sudan, Sierra Leone, Liberia, Haiti and the Philippines. It works in over 68,000 villages and over 4,000 urban slums in every district of Bangladesh and employs over 100,000 people, roughly 70 per cent of who are women, reaching more than 126 million people (Kabeer et al., 2010). BRAC has thus gone through a series of evolutions and has now become one of the largest NGO-MFIs of the country in terms of the scale and diversity of its intervention.

Grameen Bank

The Grameen Bank is a finance-minimalist bank that offers a broad range of financial products and limited organizational support. It originated in 1976, in the work of Professor Muhammad Yunus, who launched a research project to study how to design a credit delivery system to provide banking services to the rural poor. In the beginning, the Bank was developed to experiment the hypothesis that if financial resources were made available to the poor at reasonable interest rates, they would be able to gener-

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ate productive self-employment without external assistance (Wahid, 1994). The target groups for this experiment were the poorest of the poor, who are almost exclusively women (McDonnell, 1999). The reason behind targeting this group for loans, particularly for micro credit is that the poor have skills that are under-utilized and with incentive they can earn more money. Besides, in order to develop a system of mutual accountability, Grameen Bank pioneered a peer group lending structure with joint liability, a mechanism that reduces problems of moral hazard and adverse selection where households are too poor to offer collateral (Morduch, 1999). Based on the positive results it achieved, Grameen Bank was authorized by national legislation as an independent bank in 1983.

Grameen Bank was always a provider of financial services to poor households, but it soon underwent a major change in its approach. In 2001-2, all Grameen Bank branches began to operate the new Grameen II (Grameen Generalised System) model more vigorously (Hulme & Moore, 2006). Under this new financial system, the bank started lending to both men and women, but their focus remained exclusively on women. This is because the bank believed women to be both more reliable in repaying their loans and more effective agents of change within the family (Kabeer et al., 2010).

Today, the success of the Grameen model has touched such a height that it has been replicated in various other parts of the world. Currently, it has approximately 6 million members in Bangladesh and around 96 per cent of them are women.

ASA

Association for Social Advancement or commonly known as ASA is the one of the largest and finest MFI of Bangladesh, whose transition from social movement to minimalist microfinance organization has been the most dramatic within the NGO sector (Kabeer et al., 2010). It established in 1978, with the objective to build consciousness and organize the poor and deprived people in realizing their rights. However, over time it realized that mere awareness-building motivation was not adequate enough for people who repeatedly asked for loans to invest in economic activities (Jain, 2007). This realization, later in 1989, paved way for the organization to transform into a microfinance provider through a cost-effective sustainable model.

ASA started its full fledged microfinance operations and reformed itself as a finance-only MFI in 1991. In the beginning, ASA introduced microfinance program as a pilot project where the sole focus was on using micro credit as its tool in fighting poverty. The distinctive feature of these microfinance programs has always been the easy credit access of the poor who get it at their doorstep in a flexible terms based on personal guarantee instead of group guarantee (Jain, 2007). Moreover, ASA also created employment opportunities by providing microfinance services for the socio-economic empowerment of the poor in Bangladesh.

Currently, ASA is the third largest MFI in the country, offering a range of savings, credit and insurance facilities. ASA has taken around 70000 villages under its wings by providing services to approximately 8.45 million people through its 3236 branch offices spread all over Bangladesh (Rahman et al., 2012). Also, there are 17 countries including India, Pakistan, Sri Lanka, Philippines, Ghana and Nigeria in which ASA has its own branches, where an appreciable number of workers are deployed to provide technical assistance and on-the-spot support to their microcredit programs (Jain, 2007). ASA's unique low-cost credit delivery mechanism has been replicated in several other countries and this particularly says a lot about its current success as a MFI (Hulme & Moore, 2006).

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Proshika

Proshika was set up in 1974 by a group of student activists with a strong commitment to social mobilization, but it was registered as a formal organization in 1976 (Kabeer et al., 2010). Initially, it had a credit-program that was led and managed by its borrower groups and this borrower-driven feature of Proshika made it unique compared to other conventional microfinance organizations.

By the mid-1990s, it began to move in the direction of the financial sustainability model and started its microfinance programs, focusing mainly upon men and women from landless and marginal farming households. Like other large MFIs, Proshika also works closely with women, although around 30 percent of its membership remains male (Kabeer et al., 2010).

Currently, Proshika has its presence in 21,272 villages and 2,380 urban slums in 55 districts of Bangladesh. It works with nearly 1.36 million men and women members drawn from rural and urban poor households of the country. They have been organized into 104,295 primary groups and with an average 1.3 member from each household having 5.5 family members, this translates into over 5.77 million programme beneficiaries of Proshika (Daley-Harris, 2005). Moreover, it has created 12.33 million employment/self-employment opportunities for the poor and brought over one million households out of poverty while making over one million people literate and planting nearly one billion trees towards the greening of Bangladesh.

APPLICATIONS OF MICROFINANCE MODELS

There are various microfinance models used by MFIs throughout the world, but the four key models that have got immense popularity are: Grameen model, MC2 Model, Village Banking Model of FINCA and the SKS and Non Banking Finance Company (NBFC) Model. The following section discusses these four leading models of microfinance programs.

Grameen Model

One of the most successful models of microfinance that has been replicated around the world is the Grameen model. The Grameen model, introduced by the Grameen Bank of Bangladesh, is based on the voluntary formation of small groups of four to eight persons to provide mutual, morally binding group guarantees instead of the collateral required by conventional banks (Shil, 2009). As per the requirement of this model, the group has to self-select its members before obtaining a loan (Fotabong, 2011). After the formation of the group, the Bank grants loans to the selected members of the group first and then to the rest of the members. Moreover, the model requires the borrower to save 5 percentage of the loan beforehand, which basically acts as collateral. One of the best features of this group-based lending practice is the joint accountability that this model enforces. If one member of the group becomes a defaulter, the entire group will be ineligible and will not be entitled to receive further loans.

Besides, this model has placed strong focus on women on the basis of the belief that they are not only reliable borrowers but also perceptive and intelligent entrepreneurs as well. In this process, the bank has successfully developed a new banking system based on mutual trust, accountability, participation and creativity (Fotabong, 2011).

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MC2 Model

The MC2 model originally stands for rural development micro-banking. The objectives of this model are one, economic and financial sustainability from the perspective of the micro bank, individuals and group members and two, social dimension (Atuya, 2014). In 1992, the first MC2 model was developed by drawing inspiration from Einstein's famous formula: Victory over Poverty (VP) is possible if the Means (M) and the Competences (C) of the Community (C) are combined (Atuya, 2014). Therefore, the formula VP= M x C x C = MC2 (Fotabong, 2011).

MC2 model has two versions: a rural version, MC2 and an urban version dubbed MUFFA (Rudrabhatla, Roy & Bose, 2015). The rural version of the model is exclusively for women who are most dominated by poverty while MUFFA is aimed at the disadvantageous women of urban areas. Both aim to provide easy access to financial services so that the two groups of women can become independent.

Developing MC2 microfinance model involves five stages. The first stage deals with sensitizing the poor and raising awareness among them regarding the importance of savings and self-reliance; the second stage deals with mobilizing resources through raising the startup capital, paying individual shares subscription and fees, registering the micro-bank, and opening of individual accounts; the third stage deals with financing individual income generating activities while stage four deals with financing common interest economic projects; and, the final stage deals with carrying out social development projects with the resources generated in stage three and four (Fotabong, 2011).

Village Banking Model of FINCA

The Village Banking model was first developed in the 1980s in Bolivia, wherein the village banking institution of Foundation for International Community Assistance (FINCA) first implemented the model in order to create financially-sustainable solidarity groups (Atuya, 2014). The policy of FINCA is to train small community groups in a 22-module program to establish Community Credit Enterprises (CCE), form groups of 30-60 members, mostly comprising of women and later permit these members to buy shares as shareholders and generate capital to offer sustainable credit and business models (Fotabong, 2011).

Under this model, the village bank usually receives its first loan from the implementing agency as soon as it gets inaugurated. Then, as per the requirement of the model, the first individual loan (usually US$ 50) needs to be repaid on a weekly basis in equal installments of principal and interest over a four-month period (Atuya, 2014). The village bank collects these payments at regular meetings. Besides, the village bank is required to repay the entire loan-principal plus interest-to the implementing agency at the end of the 16th week of the loan (Atuya, 2014). If the village bank repays the entire loan timely, it will be eligible for a second loan. However, if the bank cannot pay the amount due on time, the implementing agency stops further credit until reimbursement is made (Fotabong, 2011).

SKS and Non-Banking Finance Company (NBFC) Model

This model is one of the prominent microfinance models in the context of India. It is basically an investor-driven model with an objective of profit maximization (Fotabong, 2011). All MFIs that use SKS and NBFC microfinance model mobilize resource through capital market investments and borrowings from commercial banks. These NGO-MFIs believe that poor people are bankable and lending to them

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is a trustable and profitable venture without relying on low cost funds for lending (Rudrabhatla et al., 2015). Besides, they also collect capital from the capital market on the ground that their institutions need huge amount of money to finance micro projects where financial markets are the only way to mobilize resources. Hence, these NGO-MFIs use debts and mezzanine assets and mobilize debt at market interest rates (Fotabong, 2011). The funds they receive in turn are made available to the poor to finance their various business activities that very often end up pushing the poor further below the poverty line.

PRODUCT PORTFOLIOS

Generally, microfinance includes loans, savings, insurances, transfer services and other financial products for low-income clients. So, basically it represents all the financial (credit, savings, insurance, remittance, etc) and non-financial (non-formal schooling for disadvantaged children or community-delivered health care, training, legal aid and social awareness) services provided to different groups of poor and non-poor clients who are not fortunate enough to be served by the conventional financial institutions. This section therefore focuses upon the product diversity of the four major MFIs of Bangladesh. Even though all these four giant MFIs started out with the same goal of socio-economic development of Bangladesh, interestingly there is a hidden competition among them in innovating new products and services suiting to poor people livelihoods (Rahman et al., 2012).

Grameen Bank, BRAC, ASA and Proshika have experience in more or less all kind of microfinance services, currently providing micro-credit, savings, micro-insurance and educational services in the country. All of them have subdivided loan and saving products targeting different socio-economic strata. Beside some common services, they are also involved in providing some services which are only unique to them.

One of the most important features of the microfinance model that BRAC follows is its sustainability. Considering this, the main motto of BRAC's microfinance program is to make credit available to poor women at a reasonable price and to promote the economic development of the country by increasing the income level of the rural poor and operate self-sustaining credit activities (Rahman et al., 2012). The several financial and nonfinancial services offered by BRAC include credit, savings, insurance, education, health, training, social development, legal aid services program, research and development, human rights and advocacy, public affairs and communications, human resource development, etc.

On the other hand, apart from the regular savings, credit, micro-insurance and educational services, Grameen Bank has introduced many services that make them unique. For instance, special services for beggars that it has initiated as a part of its microfinance scheme were an outstanding innovation (Alamgir, 2010). Another excellent innovation by Grameen Bank has been the provision of guarantee to shop-owners to give goods of maximum of BDT 2000 on credit to a poor woman to sell door-to-door in villages. Furthermore, the Bank has education schemes for member's children and social businesses as well.

Alternatively, ASA functions as a pure MFI and is well-known for its innovative product portfolios, wherein it provides diversified loan products, deposit services, saving, insurance and educational products, health care services, etc (Kabeer et al., 2010). Moreover, with a pledge for making poverty-free society, ASA pursues a consciousness raising program to reduce health hazard and maintain sound health among its clients predominantly bracketed in low income and uneducated segment of the society (Aziz, 2012). Besides, to widen primary healthcare facilities, ASA launched Extended Health Program in the remotest and backward areas of the country where state owned and other public or private health

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services are inadequate (Aziz, 2012). ASA has initiated Water and Sanitation Program as well to develop sanitation facilities and improve access to pure drinking water to the people of lower segment of the society in Bangladesh.

Unlike BRAC, Grameen Bank and ASA, Proshika offers a loan portfolio that has a relatively large agricultural component - a sector which is usually shunned by most credit programs dedicated to the poor. Another distinctive but significant feature of Proshika's credit program has been the relatively large proportion of male group members in the total population unlike other MFIs where groups are almost 100 percent women. Even though Proshika's outreach is not broad enough, it still has its own share of innovation. This includes: Proshika Savings Scheme (PSS), which is based on principles such as security of savings, life insurance, risk coverage for damaged houses caused by natural disasters, accessibility, etc; and, Economic-Social Security Program (ESSP), which is a voluntary savings product that has been offered to group members of Proshika (Banking with the Poor Network, 2013).

OPERATIONAL STRUCTURES

Even though Grameen Bank, BRAC, ASA and Proshika were developed to provide financial and other nonfinancial services to the poor, their operational structure is quite different from each other.

The basic features of Grameen Banks' microfinance operation is poor people's access to credit with women as a priority by forming small solidarity groups of 5 members, exemption from collateral, small loans repaid in weekly installments, eligibility for higher loan amount for succeeding loans. Grameen Bank does not extend loans to all the members of the group at the same time. In the first stage, only two of them are eligible for a loan. If only the first two borrowers begin to repay the principals plus interest over six weeks, the other members of the group will be eligible for a loan.

On the other hand, BRAC forms group of 30-40 people which is known as Village Organization (VO). The purpose behind developing VO is basically to bring a group of poor, landless people together and improve their socio-economic positions. Besides, this VO works as a platform for launching and implementing BRAC's various activities (Rahman et al., 2012). Apart from the group approach, BRAC is also involved in providing individual credit facilities, wherein they consider the member's capacity to utilize the loan money, type of business and profitability of the Income Generating Activity (IGA)/business.

ASA's microfinance operation is slightly different from Grameen Bank and BRAC. It forms a similar group of 30-40 people for the financing purpose, but their operational mechanism is the most sustainable and cost-effective approach. The distinct feature of ASA is its decentralized nature. Each branch acts as its own cost and profit center. The branches have freedom to carry out all the activities as long as these conform to ASA's Operations Manual. For example, branch offices of ASA have no accountants; rather, it has simplified accounting and cash-handling for its branch offices by distributing the job between the branch manager and the three or four loan officers which is then monitored by senior staffs at four different levels leading up to the head office (Rahman et al., 2012). Moreover, each branch prepares its own annual work plan with fiscal targets and cash flow projection. As a result, funds are distributed evenly through the entire ASA structure.

Alternatively, Proshika's operation is based upon matching member savings with credit and to provide various forms of training, technical and skills development assistance. It also encourages members to expand their income-generating activities with credit provided by the organization (Kabeer et al., 2010). It typically works in those areas where many poor families live; a majority of people have a low level

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of education; sanitation systems are deficient or nonexistent and there is a low level of land ownership. Even though initially Proshika fulfilled its social intermediation objectives through group formation and consciousness rising rather than service provision, it has now moved into the provision of a wider range of social programmes. Proshika's credit microloan program now targets the agricultural workers, factory workers, small farmers, micro entrepreneurs and such others (Banking with the Poor Network, 2013).

CHALLENGES OF THE MICROFINANCE MARKET

An in-depth overview of the four MFIs, their product portfolios and their operational structures provide clear evidence for the success of the microfinance industry of Bangladesh. This growth of the microfinance market has given the poor access to credit and around 13 million poor households in the country today are provided with financial services like loan, savings, insurance, etc despite having low or moderate incomes (Armendáriz & Morduch, 2010). This saturation in the microfinance market of the country is truly remarkable, wherein approximately twelve hundred microfinance institutions function in several distinct phases, including the four large MFIs.

The MFIs currently host a variety of microfinance programs in the areas of agriculture, financial services, health, electricity, telecommunication, water, housing, tourism, handicrafts, consumer goods and services (Yuge, 2011). In the process, these NGOs have become the potent driver of financial inclusion for the poor; promoter of self-employment, poverty alleviation, savings and investment programs, empowerment of women; sources of human capital formation and employment of large numbers of graduates in the country, and so on (Ahmed, 2009). However, even after such achievements and success stories of the microfinance program, MFIs face a number of challenges and problems to operate in the rural areas.

Studies of microfinance programs through these four large MFIs show that the economic conditions of the poor people have greatly improved, yet there has not been any significant decline in the overall level of poverty of Bangladesh. Most of the poor population has been left out from the grasp of the microfinance programs due to the lack of sufficient creditworthiness and entrepreneurial ability necessary to handle money properly (Morduch, 1998). It can thus be stated that MFIs have not been able to reach effectively among the people of economically backward regions of the country (Sarder & Golzare, 2012). This implies that the MFIs have not very successful in including the entire population below the poverty line of the country.

Previous studies like Alamgir (2010) and Rahman et al. (2012) stated that the efforts of MFIs during the period of 1990-2006 reduced poverty at a rate of 1.8% annually, with an impressive economic growth of 7% in the country. A change in the scenario then occurred with an unprecedented price hike of food and other essential commodities in 2007-08, following which came recession (Chemin, 2008). Moreover, almost every year Bangladesh encountered natural calamities like floods and cyclones that resulted in the loss of lives, properties and livelihoods and created more poor people in the country. These external events, macro-economic instability and natural calamities have serious implications on the management and viability of microfinance institutions (Duvendack & Palmer-Jones, 2012). Several MFIs are forced to suspend microfinance operations like recovery and disbursement that leads to the loss of income and portfolio (Yuge, 2011). Some large MFIs even have to write off large amounts of loans and provide relief to the victims of the natural calamities (Ahmed, 2009). As such, MFIs often

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curb provision of loans and limit the withdrawal of savings, which create further problems for the poor people and results in the generation of an ultra poor level of population in Bangladesh.

Issues of weak governance and management often characterize the operations of microfinance programs in these large MFIs as well. For instance, Hulme & Moore (2006) mentioned about the Microcredit Regulatory Authority and claimed that it is the only supervisory body of the vast microfinance market of the country. However, lack of manpower, resource base and geographical concentration of this organization tends to aggravate governance and regulatory issues in large MFIs (Hassan, 2002). A crucial element that is therefore missing in the operations of these MFIs is the quality of leadership and management due to the interference of politicians and lobbyists. This is a major challenge for the MFIs particularly in a developing country like Bangladesh as the overpowering nature of lobbyists and governing bodies tend to alter decision-making in these institutions and change of rules with regard to credit and financial services targeted for the poor.

Additionally, a high dependence of these large MFIs on the availability of subsidies and donor funds tends to create further problems in the microfinance market. This is because if donor funding for microfinance diminishes, MFIs may have to charge higher interest rates to recover their operational costs and even look out for new avenues to fund their activities (Morduch, 1999). Lack of capital therefore poses quite a challenge for the MFIs. Owing to this, often these large institutions end up giving insufficient time for repayment to the borrowers. For example, most of the micro-loans from these four large MFIs are granted for a short period of time, following which the loan has to be rapidly repaid from the small amounts of cash flows generated from the business (Khandker, 2005). This step by the MFIs further creates hassles for the operations of these organizations, since shorter periods of repayments in majority of the cases results in the increase of the number of defaulters.

Moreover, instances of multiple borrowing or overlapping take place in large numbers due to this lack of time for repayment. Growing numbers of overlapping borrowers can destroy sustainable development among these large MFIs in the long-run (Zaman, 2013). This is because the MFIs highlighted in this study often compete to acquire new customers in order to expand their scale and maintain their operations. As a result, MFIs get engaged in excessive competition and end up lending multiple loans to a number of borrowers. This, in turn, encourages heavy debt which can later destroy many poor household economies. In fact, there are many reported cases wherein borrowers have misused these micro-loans in order to generate cash flows so that they can make repayments to the MFIs on time and avoid paying high interest rates (Godquin, 2004). On the other hand, multiple loans results in an increase in the amount of non-performing microfinance loans, irregular repayments among overlapping borrowers and a rise in the amounts of loan-loss reserves for these major MFIs (Karim, 2011). Overlapping borrowers thus often poses a systemic risk among major MFIs that undermines the basis of the entire microfinance industry in Bangladesh as a whole. Unfortunately, MFIs have failed to make any changes in their models which can provide corrective steps to cease these shorter periods of loan recovery (Ahmed, 2009). This need of innovation in the operations and microfinance models followed by these large MFIs is no less than a challenge in the current microfinance market.

Another burning issue for the large MFIs is the high cost of recruitment and training that they often have to undertake to run their organizations (Hulme & Moore, 2006). This is crucial since avoidance of training and education costs leads to the lack of skilled manpower within these MFIs and less research work on borrowers and the overall microfinance market of the country (Zaman, 2013). As such, this is yet another challenge for the MFIs in the context of Bangladesh.

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Despite all these challenges, the activities and functionalities by these four large MFIs have evidenced that microfinance, on average and in general, did have a positive economic impact on the poor population in terms of income growth and reduced vulnerability and are continuing to do so even today. However, it is important that necessary steps be taken in order to reduce the impact of the identified challenges for the four players of the microfinance market.

SOLUTIONS AND RECOMMENDATIONS

Domination of the microfinance market by the four large MFIs is the root cause of many challenges that has been identified in the previous section. Encouraging new entrants can be a mainstream solution to the systematic risk of this sector in the context of Bangladesh (Hassan, 2002). Already there are many small NGOs and co-operative banks that are now part of the microfinance market of the country with an objective to work towards poverty alleviation, consumption smoothing and asset building of the poor (Hulme & Moore, 2006). While the new entrants can be a threat for the large MFIs, an overall outlook evidences otherwise. The joint effort of many microfinance institutions can not only bring in more development for the country, they can also establish an effective information sharing system in order to prevent overlapping borrowing among microfinance borrowers (Yuge, 2011). An example would be to initiate a credit bureau, wherein a screening effect can improve the risk assessment of all loan applicants. This will ultimately raise portfolio quality, which in turn, can reduce the rates of amounts overdue. In addition, the mere existence of such an information system can act as a deterrent which may prevent borrowers from taking a risk of borrowing excessive loans, particularly if they know the information available and the risks involved (Duvendack & Palmer-Jones, 2012). Moreover, if the large MFIs join hands with the new entrants and engage in informal information sharing activities like sharing the list of overlapping borrowers or households, this can safeguard the operations of the MFIs and reduce the number of non-performing microfinance loans and irregular repayments from the borrowers (Armendáriz & Morduch, 2010). It can also ensure accountability and transparency in the microfinance operations of these four MFIs.

Once the issues of overlapping borrowers are brought into control, these large MFIs can solve other minor issues as well. For instance, a major reason for the high interest rates of these MFIs is their high operational costs. The use of technology can reduce these operational costs and the institutions can plan to invest in staff training or educating their field staffs to further promote their microfinance programs in rural areas (Zaman, 2013). Trained staff can enable proper supervision and monitoring of loan disbursements and recollections in these MFIs and therefore prevent any kind of fraud and miss appropriations of funds. Additionally, if the credit officers are trained and educated, they can better guide borrowers about the various microfinance programs being offered in the microfinance market by these large MFIs. Adequate knowledge about microfinance programs and the overall market of these credit officers can even help the management of these MFIs to run a completely decentralized institution and target for expansion and cost-effective operations in the long-run (Karim, 2011). Besides, research platforms related to microfinance borrowers and micro-credit programs can be strengthened too, if operational costs are controlled by the MFIs.

It is also imperative that these four key players of the microfinance market consider providing flexibility in repayment schedules of their micro-loans and introduce flexible financial services for the microfinance borrowers (Meyer, 2002). The increasing number of overlapping borrowers indicates the

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lack of satisfaction from the financial services provided by the MFIs due to factors like weekly repayment schedules and loan sizes. Microfinance borrowers can actually make more productive investments if these MFIs meet their demands for loans by allowing more flexibility in loan disbursement and repayment schedules (Mallick, 2012). This will particularly be helpful for borrowers whose enterprises are entering an expansionary phase, since when the business is growing borrowers need more money to satisfy their financial demands of working capital. Due to high operational costs and even high interest rates, the four large MFIs often fail to satisfy such financial requirements and this inflexibility incurs the costs of multiple memberships among dynamic clients with good repayment capacity (Chemin, 2008).

Furthermore, the MFIs could offer new product lines for the most disadvantaged people by offering savings and insurance product portfolios under the microfinance programs. This can help the poor people to reduce vulnerability and deal with risks such as disease and accidents, thereby enabling them to avoid borrowing an additional loan (Khandker, 1998). In fact, the mobilization of funds through savings and insurance programs can strengthen the financial sustainability of the MFIs as well.

Currently, a growing number of poor people have access to financial market through microfinance. Hence, it is necessary to introduce financial education to these people, so that they know that excessive loans may cause serious damage to their household economies (Godquin, 2004). MFIs initially should ensure that loans are only given to those microfinance borrowers who are going to utilize it to earn a living rather than for any other purpose (Alamgir, 2010). Next, the MFIs should improve the financial literacy of their clients to maintain the quality of their portfolios by focusing upon financial options and strategies of poor individuals and households in the rural setting of Bangladesh. To enhance this outreach to the remote areas of the country, these four large MFIs can also use mobile financial services by establishing partnerships with mobile phone operators and banks to reach the unbanked low income people (Sardar & Golzare, 2012).

Since its inception, microfinance has made an important transition with various innovations in the market of Bangladesh. As such, it is highly likely that such continued endeavors and innovations can help the four large MFIs to deal with the problems and challenges of the microfinance market of the country. The introduction of a legal framework for information sharing may also be established within the umbrella of the Microcredit Regulatory Act (MRA) to help the MFIs in the combat process. This, in turn, can help these MFIs to survive the excessive competition posed by each other and other new entrants of the microfinance sector and work towards the continued development of Bangladesh.

FUTURE RESEARCH DIRECTIONS

The present study is solely based upon the four major microfinance institutions of Bangladesh, which includes mainly government and non-governmental organizations. Future research can examine other forms of organizations like co-operative banks or small-scale MFIs which have recently started taking interest in the microfinance concept. A similar research can also be conducted for a different developing country to do a more in-depth analysis of microfinance models and approaches. Moreover, this study has mainly emphasized on the assessment of the operational structures and challenges of the selected microfinance institutions. A longitudinal study can be adopted in future works to examine a research model in order to examine the perspectives and attitudes of officials of the microfinance institutions regarding the microfinance concept in Bangladesh. This will provide a better insight into the perceptions of people related to the implementation of microfinance and can help to enhance the understanding of individual users of microfinance institutions in the context of Bangladesh.

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CONCLUSION

MFIs in Bangladesh have created innovative financial products and services to enable the poor, particularly in the remote or rural areas of the country, to become productive through various income-generating activities. Undoubtedly, this objective of the MFIs has created employment, leading to huge money circulation in the economy and thereby helping poverty alleviation across the entire country. This chapter therefore seeks to highlight the activities and present status of the four giant institutions – Grameen Bank, BRAC, ASA and Proshika – that are involved in the provision of microfinance in the context of Bangladesh. The study reveals the microfinance models followed by these institutions, their product portfolios, operational structures and the challenges they face in their operations. Findings of this chapter also state that these four MFIs commonly encounter problems like overlapping or multiple borrowing, lack of training and education, misuse of credit by borrowers, etc. However, they adopt a clear-cut strategy developed with experience gained over the years in order to deal with such problems and continue to contribute to the development of the economy. Bangladesh has thus become one of the most advanced countries in the field of microfinance today.

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KEY TERMS AND DEFINITIONS

Microfinance: A general term that describes financial services to low-income individuals or to those people who do not have access to typical banking services. It includes services like loans, savings, insurance and other basic financial services to the poor. It mainly targets women entrepreneurs and aims to create employment, particularly in rural areas of developing countries.

Microfinance Institutions (MFIs): Institutions like small non-profit organizations, co-operative banks or in some cases, commercial banks that provides microfinance services to the unbanked or poor people of a country.

MRA: This Act is responsible for empowering, monitoring and supervising the microfinance activities of the MFIs. According to the Act, no MFI can operate microfinance program without obtaining license from this regulatory body.

Non-Governmental Organizations (NGOs): A non-profit organization that can operate on a national or international level without any government affiliations and is usually driven by people with common interest in areas like economic development, sustainability, human rights, environmental issues, etc.

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Overlapping Borrowers: Includes the borrowers who take multiple loans within the same repayment period or secure loans from multiple MFIs. This is usually done by concealing the accurate information of their loans from the providers of microfinance.

PKSF: It is a public-private apex body that channels funds for microfinance to MFIs, and has been critical to the expansion and improved professionalism of the microcredit industry in Bangladesh.

Poverty Alleviation: Reduction of poverty in order to improve the livelihoods of poor people. A number of programs and strategic tools are used for this purpose so that any social and legal barriers to income growth among the poor can be removed. This primarily includes the use of microfinance to empower the poor and to increase their access to all factors of production, including credit.

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Chapter 41
Real-Time Monitoring of Intercity Passenger Flows Based on Big Data:
A Decision Support Tool for Urban Sustainability

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ABSTRACT

Managing population mobility is a key to urban growth and sustainable development. This study uses administrative and business data from a number of trustworthy and publicly-available websites for public transport to access passenger flows in a real-time manner. A case study is used to illustrate the application, with intercity passenger flows by public transport mode (rail or air), by rail service type and by time. Moreover, a model is developed for monitoring the implications of population movements, which can be a decision support tool for governments and policy makers to manage population mobility. The big-data approach to accessing public transport passenger movement has the following characteristics: (1) low cost, (2) a population scale, (3) instantaneous data collection/update, and (4) high quality.

1. INTRODUCTION

Urbanization plays an important role in economic growth, welfare, environment, and changes in social and human behaviour, which presents both opportunities and challenges to sustainability (Bettencourt et al., 2007). Governments across the globe keep a close watch on population movements. One traditional

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source of data is the census. For example, in China, a national census is conducted every five years. A series of censuses illustrate that 1.17 billion Chinese moved to cities from rural areas between 2000 and 2010, where 35 percent moved to Beijing, Dongguan, Guangzhou and Shanghai metropolitan regions (International Organization for Migration, 2016). However, the cost of a national census is enormous, for example, the direct cost of the 2010 Census of China was 50 billion RMB (about 7.5 billion US$). Another source is research studies mainly based on travel diaries or surveys via phone, web or phone interviews; however, these studies are often associated with sampling issues. In addition to the high-cost and sampling issues of traditional approaches to population flow, other inherent limitations are statics and hysteresis. Therefore, these traditional approaches are incapable of continuously monitoring dynamics in population movements in a real-time manner.

Real-time monitoring of population mobility requires the following data characteristics: (1) low cost, (2) a population scale rather than a sample of the population, (3) instantaneous data collection/update, and (4) reliability. With technological development, big data provides such an opportunity. Big data has three dimensions (Daas and Puts, 2014): (1) Volume, that is the number of data records, attributes and linkages; (2) Velocity, that is the speed that data produced, changed processed and analyzed; and (3) Variety, that is the diversity of data sources, formats, media and contents. Wamba et al. (2015) add two "Vs": Veracity and Value, and defines big data as "a holistic approach to manage, process and analyze 5 Vs in order to create actionable insights for sustained value delivery, measuring performance and establishing competitive advantages" (p. 235). These characteristics are in line with the data needs for population mobility.

The existing big-data studies on population mobility and broader literature of urban studies have mainly used the following sources: mobile phones, transportation devices (e.g., public transportation smartcards and in-vehicle Global Position Systems (GPS)), and social-networking media (see Toole 2005; Williams et al. 2015; Sobolevsky et al. 2015; Tam and Clarke 2015; Hao et al. 2015 for detailed literature review). Compared to the existing studies, a unique property of this study is that administrative data and business data from trustworthy and publicly-available websites are captured in a real-time manner and on a population scale to establish reliable big data on intercity population flow. In addition, other significant advantages include reliability, consistency and accessibility. These merits, in turn, would ensure the quality of data analysis.

The paper is organized as follows. The next section introduces the procedures to generate big data sets on passenger flow of air and rail transportation. Then, Wuhan City is used as the case study to illustrate the applications of big data, investigates the changes in net inflow by mode (air and rail), by service type (intercity and longer-distance high speed rail (HSR)) and time (day and month), followed by a model for monitoring the condition of population mobility. The final section highlights the key conclusions of this study.

2. DATA

Among the existing studies of population mobility using big data, the dominant source is mobile phones (see e.g., Smoreda et al., 2013; Buckee et al., 2013; Smoreda et al., 2013; Zhang and Zhou, 2014; Wang and Tang 2014; Toole 2015 among others), where location data can be obtained by the tower that the phone is connected. Mobile phone data has these merits: (1) spatiotemporal precision, (2) low cost, and

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(3) population scale. However, such data source is not easily accessed, unless special agreements are reached. Other sources include GPS (e.g., Chen et al., 2016), smart travel card (e.g., Batty, 2013), and social-networking media and applications (e.g., Cottrill et al., 2013); however, these sources are often associated with sampling, quality or privacy issues.

In this study, a number of open and reliable websites are used as the source of big data such as air and rail passenger net inflow/outflow. Intercity coach service is not included when calculating net inflow/outflow numbers in this study, given that its daily inbound and outbound passengers tend to be symmetrical (i.e., net flow is close to zero). The air-mode population flow figures are directly obtained from a Chinese national website, where the numbers of departure and arrival passengers are collected by each airport in China, and updated by this website service in a real-time manner. Given this, the daily net inflow or outflow air passenger numbers for each city for each day can be directly calculated as the difference between the total arrival and the total departure for all airports in that city on that day. Therefore, the big data on air-mode population mobility is from administrative source with high accuracy.

The rail passenger numbers are derived on the basis of a two-stage approach. At the first stage, we grab each station's remaining tickets five minutes before departure from a national rail service website. At the second stage, the net inflow passenger numbers are calculated as follows. Suppose, as an example, City X has a rail station (Station X) and a rail line serves five stations for different cities: A, B, C, X, and D; the net inflow passenger number of Station X (City X) is needed. For the direction from A to B, the remaining tickets numbers before departure for Section CX (Station C to Station X: Xb) and Section XD (Station X to Station D: Xa) are obtained from the website. The net inflow (NI) of City X is approximately equal to Xa minus Xb. There are multiple rail lines that stop over City X and each line has multiple services on a single day. The net inflow number for City X is the sum of all differences between the remaining tickets for the section right after Station X (Xa) and for the section right before Station X (Xb), given in Equation (1):

$$NI\left(X\right)=\sum_{\substack{0\le i\le m\\0\le j\le n}} Xa\left(i,j\right)-Xb\left(i,j\right) \tag{1}$$

where:

- i is the train line;
- j is the service number for each train line.

In order to investigate the potential influence on population mobility of job market, on-line job advertisements are captured from China's leading recruitment service providers. This paper uses business data (i.e., train ticket sales data) and administrative data (i.e., information arising from the administration of airports) to construct population flow figures by rail and air respectively, along with informative data of on-line job advertisements. The big data sets are summarised in Table 1. These sources offer five significant advantages compared to other big data sources used in the existing population mobility studies (mainly tracking or location based device such as GPS and mobile phones): (1) being publicly-available, (2) no privacy issue, (3) better data quality, (4) accessibility, and (5) reliability.

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Table 1. Big data used in this study

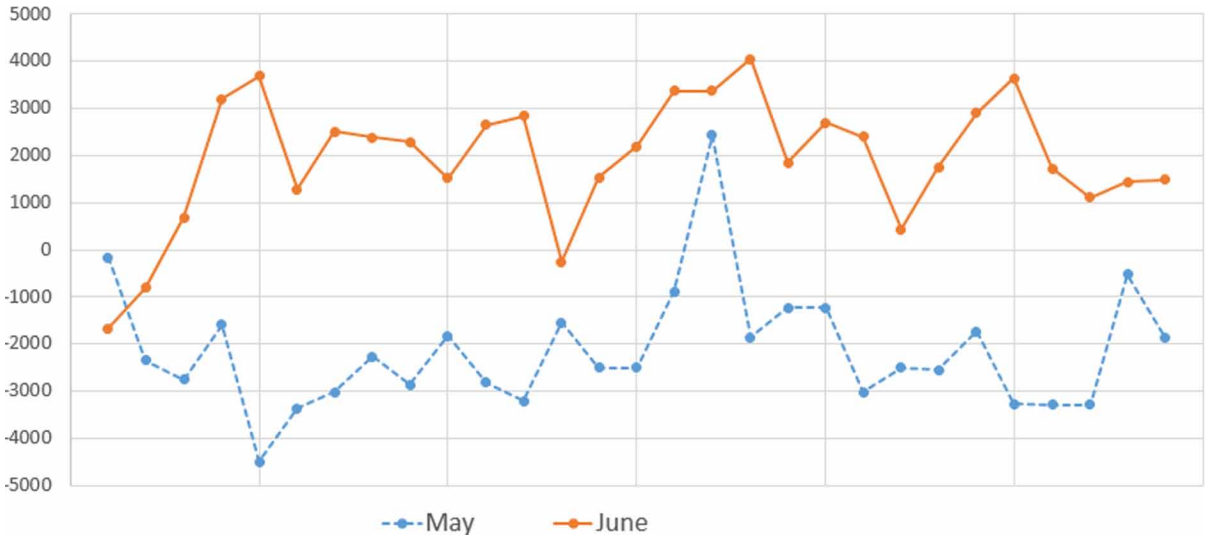
	Air	Rail	Job
Source	Open web	Open web	Open web
Type	Administrative	Business	Informative
Attributes	Time, number, etc.	Time, number, etc.	Time, salary, etc.

3. BIG DATA ANALYSIS OF PASSENGER FLOWS: A CASE STUDY

Wuhan is the capital of Hubei province, which is the economic, political and financial center, as well as transportation hub of inland China, with approximately 10 million inhabitants. Figure 1 illustrates the fluctuations of daily air net inflow (= the number of arrival minus the number of departure) of Wuhan in May and June, based on the data captured on line. With the exception of May 17th, all daily net inflow numbers in May are negative, which means departure outnumbered arrival (i.e., net outflow); however, the situation in June is opposite, with the majority being net inflow towards Wuhan. The aggregated monthly net inflow for May is -63,807 and 56,255 for June, i.e., an increase of 120,062 in net inflow.

Figure 2 shows the dynamics in daily rail passenger movements. Most of daily numbers are negative in May, and the monthly net outflow number is 183,532. This is much improved in June with a net outflow is 2934. There is an increase of 180,598 in net inflow from May to June. For rail mode, the figures can be further classified into intercity rail and longer-distance high speed rail (HSR) according to the initial English letter on the ticket, where an intercity rail ticket series number starts with 'C', and 'G' or 'D' for HSR where the major difference between 'D' and 'G' is the speed of travel. The net flow numbers by rail service type are given in Figure 3. Despite that the aggregated number is negative in June; the net inflow number is 31,933 by intercity rail. This also applies to the situation in May, which has net inflow of 18,898 through intercity rail services. These figures suggest that Wuhan has attracted population from

Figure 1. Daily air net inflow/outflow of Wuhan (>0: net inflow; <0: net outflow)



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Figure 2. Daily rail net inflow/outflow of Wuhan (>0: net inflow; <0: net outflow)

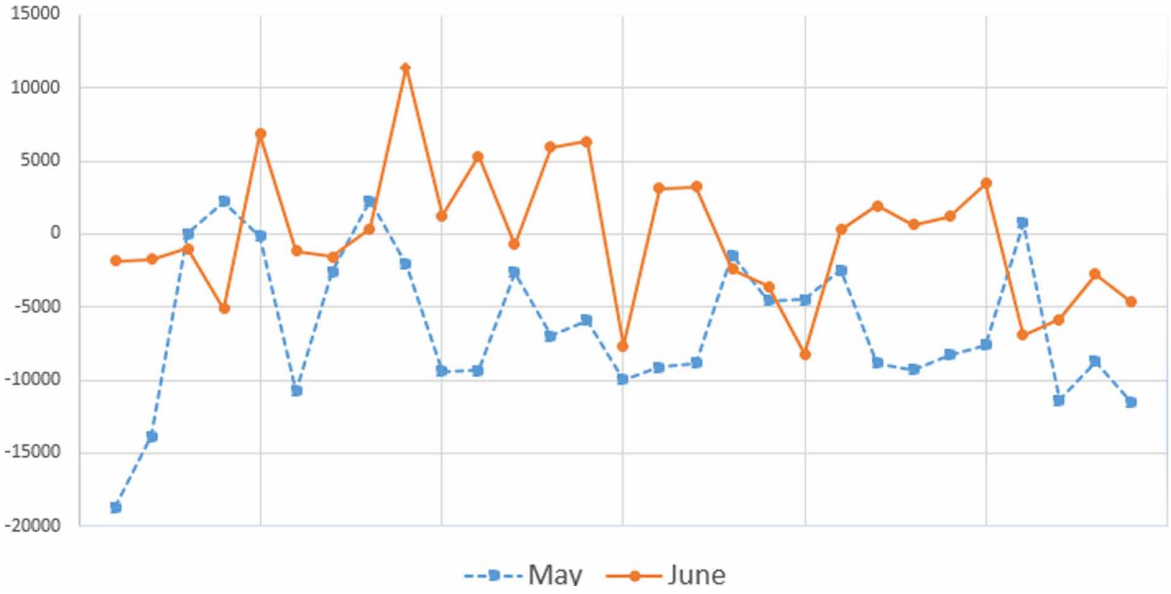


Figure 3. Daily intercity rail and HSQ net inflow/outflow (>0: net inflow; <0: net outflow)

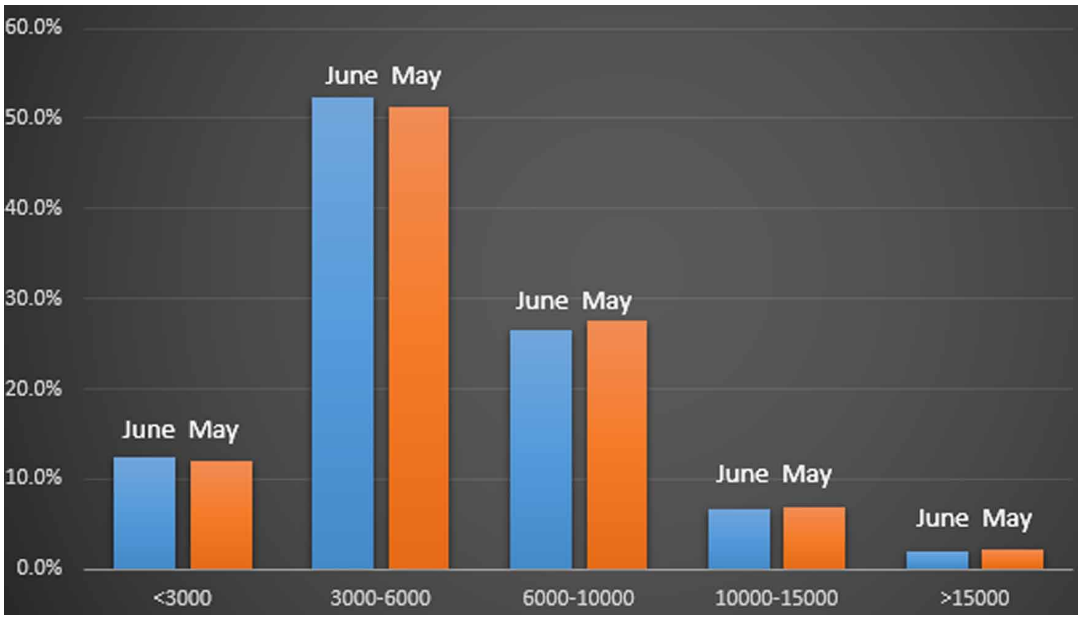


its surrounding cities. This direction of movements towards metropolis is logical. However, a significant increase of 13,035 in net inflow through intercity rail from May to June needs a further explanation.

In China, migrant workers account for a large proportion of population movements, with over 220 million internal migrant workers, or one sixth of its population (International Organization for Migration, 2016). For Wuhan region, the number surged by 25,943 from May to June, compared to an increase of 8,913 from April to May 2016, i.e. 17,030 more jobs. These figures, along with surged net inflow, suggest that more jobs provided in Wuhan might attract people moving into its metropolitan area. The distributions of monthly salary based on on-line job advertisements in May and June are shown in Figure 4. These two distributions are quite similar with the major difference being that for the salary range

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Figure 4. Monthly salary distributions



between 3,000 and 6,000 RMB (1RMB = 0.15 US$), June's figure is one percent higher than May's; while for the range between 6,000 and 10,000, May's number is one percent higher than June's. The mean salary for June is 5865.5RMB (standard error: 8.8) with a standard deviation of 3508.1, and the mean for May is 5948.2 (standard error = 9.8) with a standard deviation of 3553.8.

4. A MODEL FOR MONITORING POPULATION MOBILITY

Population mobility is a major contributor to urbanization, more so to China, given that occupational relocation (migrant workforce) accounts for the majority of China's internal population flow (Zhou and Yao, 2016). Urbanization is defined as a movement of people from rural areas to urban areas with population growth equal to urban migration (United Nations, 2010). Urbanization could be a key driver to economic development. However, overheated urbanization would result in negative impacts on society and environment, which may in turn weaken the economy. Therefore, the progress of urbanization needs to be carefully planned and monitored according to the size and development stage of the city so as to achieve sustainable growth (Henderson, 2003). From economic, social, and ecological perspectives, urbanization presents both opportunities and challenges to achieving urban sustainability (e.g., Bettencourt et al., 2007; Christopher 2008; Yigitcanlar, 2009). Given that urbanization is a dynamic process, the number of net inflow needs to be monitored continuously in order to ensure urban sustainability. Given this, a model that monitors the healthiness of population mobility is developed in Equation (2):

$$h_t = \left[1 - \left(\frac{\Delta\gamma_t}{\gamma_t^*}\right)^2\right] * 100\% \quad (2)$$

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where h_t is the healthiness index of population movement, which may be weekly, monthly, quarterly or yearly; $h \leq 100\%$, and $h = 100\%$ indicates the most healthy or ideal situation, and the farther the value of *h* deviates from 100%, the worse the situation is: γ is the actual net inflow number during the monitoring period; $\Delta\gamma_t = \gamma_t - \gamma_t^*$; γ_t^* is the optimal or target number of population flow during the corresponding period.

If $\Delta\gamma > 0$, and the value of *h* is below the *threshold+* established by the government, this would suggest that there is 'overheating' in population inflow; $\Delta\gamma < 0$, and the value of *h* is below the *threshold-* suggest 'undercooling'. Hence, the value of *h* can be a key indicator to city's urbanization status, through which policy makers can implement corresponding policy interventions to encourage or discourage net inflow so as to address arising issues in time.

The index developed in this paper (see Equation (2)) directly monitors the influence of population inflow, which is different to existing studies measuring the rate of urbanization (e.g., Cam et al. 2000; Gasparatos et al. 2008). This approach might be of more political value, given that this healthiness index takes into accounts the desired or planned number set by the city government, which can be a changing number $\left(\gamma_t^*\right)$ according to a city's growth status and urban strategies, and hence reflecting the dynamic nature of urbanization and better addressing sustainability, which has important implications on planning and providing adequate infrastructure, resource, service and employment. In addition to its monitoring purpose, Equation (2) can also be used to make alarms as soon as dramatic changes surface, given that net inflow/outflow can be captured in a real-time manner. For example, a significant decrease in *h* due to surged net inflow suggests that more public transportation need to be provided to serve the airport or train stations so as to avoid overcrowding.

In a long run, the process of urbanization is dynamic, shown as the fluctuations in ratios of urban population at different stages. According to Shen et al. (2012 the percentage of urban population moderately climbs during the initial stage of urbanization. With the improved attractiveness of the city during the acceleration stage, the urban population ratio surges to a high level. This is followed by the terminal stage, and then counter-urbanization during which people leave urban areas. As the ratio further declines below a certain level, policy makers would implement strategies to attract population movements towards urban areas (i.e., re-urbanization stage).

5. CONCLUSION

According to International Organization for Migration (2016), the world urban population number was about 3.9 billion in 2015, and might reach 6.4 billion by 2050. To successfully manage population mobility is the key to urban growth and sustainable development. This study has used public websites as the source of big data to access rail and air passenger flows, and the constructed big date sets have the following characteristics: low cost, high quality, and real-time acquisition of data. A case study is used to illustrate the applications, with empirical evidence on passenger flows of Wuhan City by mode (air and rail), by service type (intercity and longer-distance HSR), and by time (day and month). A model for monitoring the level of population mobility is developed for governments to immediately make responses, effectively adjust their policies and appropriately implement interventions.

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Chapter 42
Tourism Marketing in Developing Countries

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ABSTRACT

Tourism is an attractive tool for economic development, especially in the developing world because tourism industry is considered as one of the largest and the most diverse industries in the world and it is one of the fastest growing sectors of the global economic. Many countries are seeking a way to improve their economic conditions; they see tourism as a major source of income, employment, and development of economic. The World Travel & Tourism Council (WTTC) researches assesses that the Travel & Tourism industry's contribution to GDP and jobs for 184 countries and 24 regions and economic groups in the world[1].

INTRODUCTION

According to an International Labor Organization (ILO) report international tourism was affected by the global economic crisis but is projected to grow significantly over the coming decade. The United Nations World Tourism Organization (UNWTO) is expecting the sector's global economy to provide 296 million jobs by 2019[2]. Tourism's importance to the wider economy continued to grow in 2012, Its total contribution comprised 9% of global GDP (US $6.6 trillion) and generated over 260 million jobs – 1 in 11 of the world's total jobs[1]. When we are talking about Tourism sector, we are talking about one of priority sectors of investments, but we should know how to make the tourism sector in developing countries more attractive for tourists and investors because it would be very beneficial for public people in these countries.

We will address the tourism marketing in developing countries clearly as below:

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TOURISM

Tourism Definitions

Tourism is part of the leisure sector which is rapidly gaining economic importance. The volume of tourist flows at a world - wide level is showing a continued growth path, mainly as a result of income increase and improvement of transport systems (Pearce, 1981).

According to W.T.O. recommendations – "*Tourism* comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes". The W.T.O. also defines – "*An international tourist* as a person who travels to a country which usual residence but outside his/her environment for at least one night but less than one year".

The origin of the word "*Tourist*" can be traced from *the Latin* word "*Tornus*" meaning a tool for describing a cycle. This word dates back to the year 1292 AD which reflect to the desire to discover the unknown, and explore new and strange places.

Tourism Categories

There is more than one classification for tourism; it can be classified into (Mccabe, 2009):

1. *Domestic Tourism:* involves *residents* of a country visiting their own country.
2. *Inbound Tourism:* involves *non-residents* visiting a country other than their own country.
3. *Outbound Tourism:* involves *residents* of a country visiting other countries.

Tourism also can be classified into three categories as:

1. *Internal Tourism:* comprises domestic tourism and outbound tourism.
2. *National Tourism:* comprises domestic tourism and outbound tourism.
3. *International Tourism:* comprises inbound tourism and outbound tourism.

Tourism Forms

There are many forms of tourism classified as:

Health Tourism

This form may also develop facilities for curative tourism. For example, thermal waters are recommended for people with rheumatic problems, bronchitis, back aches, skin diseases etc. Bath facilities, Spas, fitness, relaxation and wellness may be improved or established. Medical tourism seems to become an increasingly important part of the tourism market.

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Cultural Tourism

Historical sites, buildings, monuments place of historical events, art exhibitions and museums may offer more interesting places to visit. By upgrading the level of and access to these attractions, the country will gain cultural prestige.

Shopping Tourism

Go for shopping abroad due to lower prices of goods.

Seaside Tourism

The sea lends itself to (swimming, rowing, sailing, surfing, skiing, snorkeling, wind surfing). Establishment of modern water sports facilities may be established at some tourist resorts.

Education Tourism

Tourism may also be developed on the basis of meetings, conferences or seminars. Language or cultural courses may also be considered.

Adventure/Sports Tourism

Many regions lend themselves for specialization in sport and leisure tourism. Such as, wildlife /discovery tours, panoramic trips and see the countryside by walking, climbing and hiking. Other examples are bird watching, camping, horse-riding, cycling. Sport tourism may also include winter sports – skiing, snowboarding, cross-country skiing summer sports, extreme sports (rafting, paragliding, sky diving, etc.) sport events (world championships).

Rural Tourism

Besides relaxation people work in farms rearing animals, participating in farming processes, i.e. dairying, processing of vines, taking care of horses, etc.

Tourism Marketing Components

There are three main components of tourism marketing can be illustrated as follows (Mccabe, 2009):

1. **Product Orientation:** Affirms that the products and services of tourism supply are based on physical, cultural, historical, and folkloric attributes or a combination of several of them.
2. **Market Orientation:** Marketer should take the needs and the desires of the tourists in his consideration.
3. **Societal Orientation:** Combines the best of the product as well as market orientation.

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Tourism Characteristics

Tourism is a composite package of goods and services geographically segmented across specific geographical areas. It includes accommodation, transport facilities (air transport and vehicles), activities (what tourists do during their stay), attractions and ancillary services (banking, telecommunications, hospitals) (wig, 2003), and it also plays an important role in terms of employment. Tourism has a significant impact on social, economic and business sector, as it's one of the world's largest growing industries nowadays.

According to (Middleton, et al., 2009) there are three particular relevant characteristics for tourism:

- Seasonality and other major variations in the pattern of demand.
- The high fixed costs of operations, allied to fixed capacity at any point in time.
- The interdependence of tourism products.

Marketing in tourism is shaped and determined by the nature of the demand for tourism and the operating characteristics of supplying industries.

Tourism Benefits

Tourism has many benefits can illustrate as:

- **Economic Benefits:** Tourism provides foreign exchange earnings, Income for individuals & business, Employment & opportunities for training, and Overall development in underdeveloped areas.
- **Social and Cultural Benefits:** Tourism plays a vital role in art & monuments retention, and community empowerment.
- **Environmental Benefits:** Tourism has a very important role in environmental appreciation, and takes care of natural areas & wildlife.

THE MAGIC OF TOURISM

In the eyes of many decision-makers tourism has a magic potential. It generates income and is based on indigenous resources of the tourist areas at hand. Tourism has indeed been a rapidly growing sector. There seems to be significant structural changes in tourist demand which are likely to influence the traditional model of 'mass tourism', as the sector has been experiencing dramatic changes over the last few years in response to broader patterns of globalization of economic activities (Nijkamp, 1998). Over the past forty years tourism has become a major activity in the society and an increasingly important sector in terms of economic development. It forms an increasing share in discretionary income and often provides new opportunities for upgrading local environment. On the other hand Tourism is in a paradoxical position in developing countries, despite the weight it carries in these countries' economies and donors lend little importance to it.

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TOURISM AND ECONOMIC GROWTH

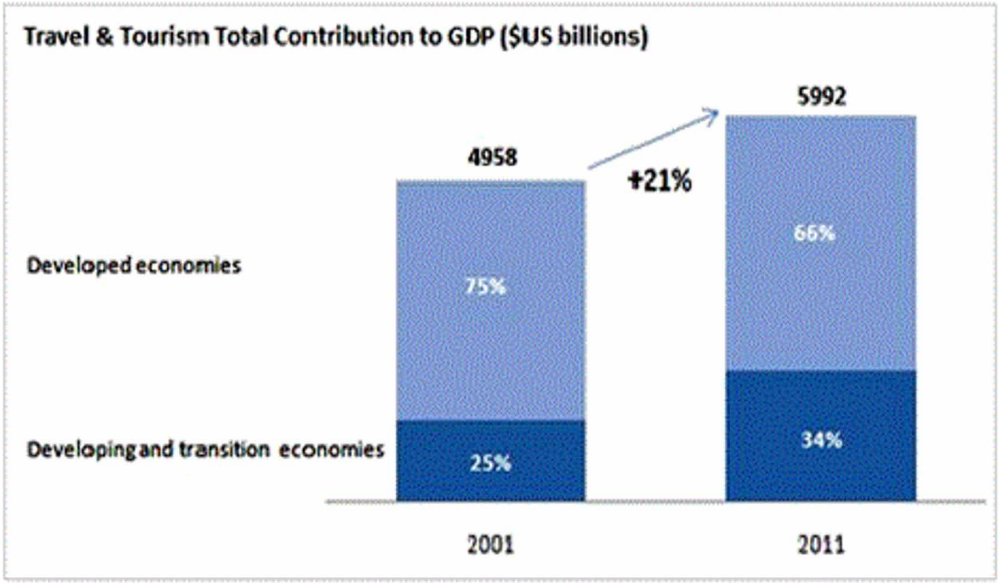
Tourism has a strong links with economic growth for all countries, especially developing countries because International tourism can be in fact an important source of economic growth in developing countries. This holds particularly true for least developed and other small, structurally weak countries which otherwise face tremendous challenges in a rapidly changing and highly competitive global trading system[3]. As illustrated in Figure 1. The tourism sector is growing in developing countries and its total contribution to GDP has grown by 21% in the last decade. So we can say that tourism can provide opportunities for economic development and diversification in developing countries. Fayissa, et al., (2007) examines the relationship between tourism and economic growth for African countries based on GMM approach for 1995-2004. The findings confirmed the Tourism-led growth hypothesis (Samimi, et al., 2011).

TOURISM DEVELOPMENT IN DEVELOPING COUNTRIES

Tourism sector can serve to diversify the economy and generate social and environmental benefits. Developing country governments must actively manage tourism through policies and actions aimed at maximizing the beneficial development impacts of tourism. Tourism can be generator of:

1. **Employment:** Tourism and tourism-support activities create a high proportion of employment and career opportunities for low-skilled and semi-skilled workers, particularly for poor, female and younger workers. *The World Travel and Tourism Council* reports that the industry currently provides over 220 million jobs and accounts for 8 per cent of employment, or 1 in 12 jobs, and about 10 per cent of GDP. The tourism sector can be an important source of employment for many of unemployed workers.

Figure 1. Travel and tourism total contribution to GDP



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2. **National Economy:** Tourism linkages to other economic sectors are diverse and deep. Building linkages requires ensuring effective national strategies comprising policy, regulatory and institutional framework. Countries with strong linkages have developed tourism-supporting infrastructure, provide access to good quality basic services, and offer a tourism product at competitive prices (UNCTAD, 2010).

THE IMPORTANCE OF TOURISM IN DEVELOPING COUNTRIES

The tourism industry is increasingly important in less economically developed countries[4]. But although the industry is expanding rapidly, it remains unclear if and how tourism can help reduce poverty in these countries? Tourism in many developing and least developed countries is the most viable and sustainable economic development option, and in some countries, the main source of foreign exchange earnings[5]. If tourism is managed with a strong focus on poverty alleviation, it can directly benefit the poorer groups through different ways; employment of local people in tourism enterprises, goods and services provided to tourists, or the running of small and community-based enterprises, so tourism have a positive impacts on reducing poverty levels.

Tourism is one of five top export earners; it is the main source of foreign exchange for one third of developing countries and one half of LDCs (least developed countries), where it accounts for up to 40 per cent of GDP[6]. The World Tourism Organization (UNWTO) states that tourism returned to growth in the last quarter of 2009 and growth will continue in 2010. This recovery has been partly due to measures – through fiscal, monetary and marketing support to the tourism sector – that some 70 countries have implemented to stimulate their economies and restore growth[7]. These countries include many developing countries such as Argentina, Brazil, China, Egypt, India, Morocco, Nepal and Viet Nam. The recovery is expected to endure over the longer term with 4 per cent annual growth in international arrivals projected through 2020.

There has been a substantial diversification of destinations, and many developing countries have seen their tourist arrivals increase significantly. Arrivals to developing countries accounted for 46% of the total international arrivals in 2011. Tourism has become a major player in the economy of developing countries[5].

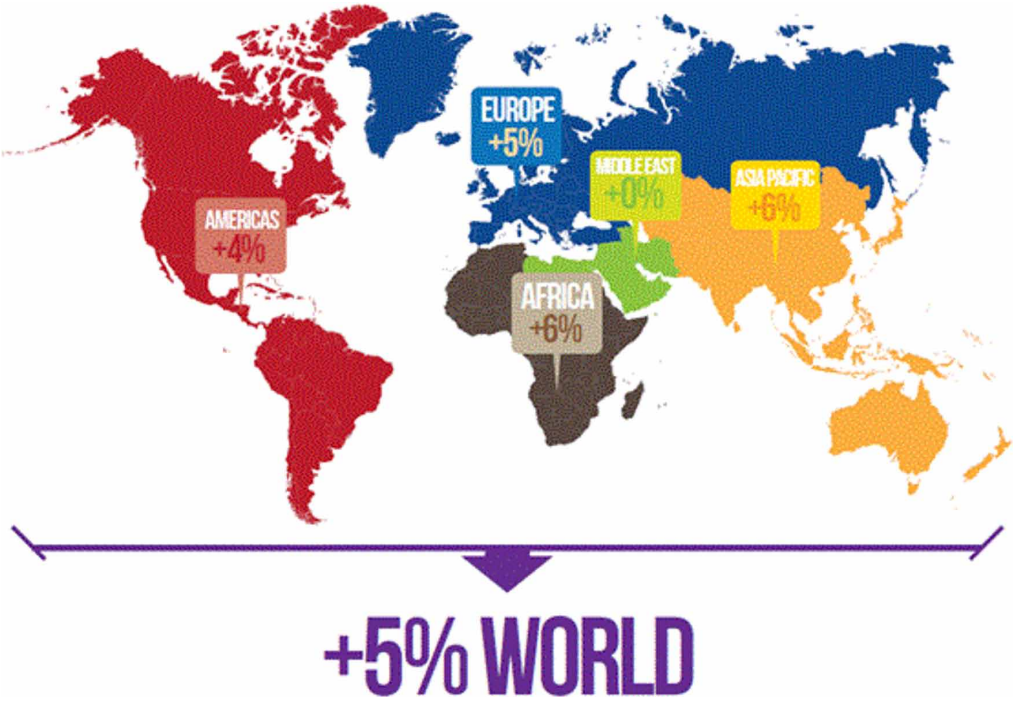
TOURISM INDUSTRY

Tourism is a complex industry that involves a wide range of businesses working at different levels; it's one of the world's largest industries, generating an estimated 9% of the world's GDP (Gross Domestic Product) and over 200 million jobs. In the analysis of tourism in literature review, economists emphasize the economic effects of tourism development on the economy, because tourism is a multidisciplinary activity that involves several industries and draws upon a variety of skills. In order to diversify the sources of economic growth, foreign exchange earnings and employment opportunities in different countries, development of tourism industry has aroused much more attention.

In 2012, international tourists spent US$386 billion in emerging market and developing countries (Figure 2), over five times the level of official development assistance which goes to these countries;

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Figure 2. International tourist arrivals 2013



this is why tourism is one of the main sources of foreign exchange earnings to emerging market and developing countries.

Developing countries are active tourism suppliers in world markets. For them, the sector is a primary source of income-creating jobs and new development pathways. Tourism accounts for 7 per cent of their goods and services exports and 45 per cent of their commercial services exports, making it developing countries' largest single services export (UNCTAD, 2010) (Figure 3).

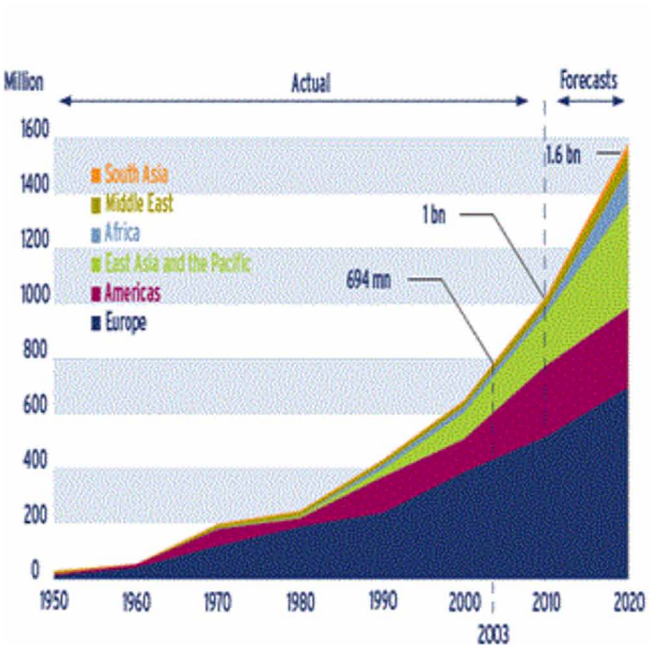
TOURISM AND POVERTY REDUCTION

Poverty is a multidimensional phenomenon that consists of a 'lack' of certain things upon which human health, well-being, and autonomous social functioning depend, including the ability to meet 'basic needs' (i.e., food, shelter, clothing, etc.) (Cattarinich, 2001).

The reduction of poverty has become one of the most compelling challenges of our time. Poverty is more than a lack of income – it is multidimensional and complex phenomenon with an intricate relationship to issues such as disease, illiteracy, infant mortality, environmental degradation and many other aspects (Okech, 2010). There is a belief that tourism industry development could lead to benefit poor people, and help them to a rise their living level, introducing the concept of "pro-poor tourism" (Ashley and Mitchell, 2006). Thus, the tourism industry may contribute significantly poverty reduction, especially in the countries that suffer from low levels of per capita GDP.

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Figure 3. International tourist arrivals by regions since 1950 and forecasts for 2020



	Base Year 1995	Forecasts 2020 (Million)	Market Share (%) 1995	2020
World	565	1561	100	100
South Asia	4	19	0.7	1.2
Middle East	14	69	2.2	4.4
Africa	20	77	3.6	5.0
East Asia and the Pacific	81	397	14.4	25.4
Americas	110	282	19.3	18.1
Europe	336	717	59.8	45.9

The tourist industry represents an interesting avenue for poverty reduction and economic development (ODI, 1999; Sinclair, 1998). Tourism is potential links with other industries such as construction, agriculture and transport; and the poor may have access to tourist assets such as natural resources and culture (Wiig, 2003).

Roe, et al. (2004) mentioned in there Working Paper about pro-poor tourism (PPT) - according to The WTO/OMT/UNCTAD report on tourism in the LDCs (WTO/OMT 2001) - that there are a number of different ways of defining 'poor' countries, as:

1. Countries which contain *the greatest numbers* of the 1.2 billion people who live on less than $1/day;
2. Those with the *highest proportion* of their population living on less that $1/day;
3. Those defined by the United Nations as the *'Least Developed Countries'* (LDCs).

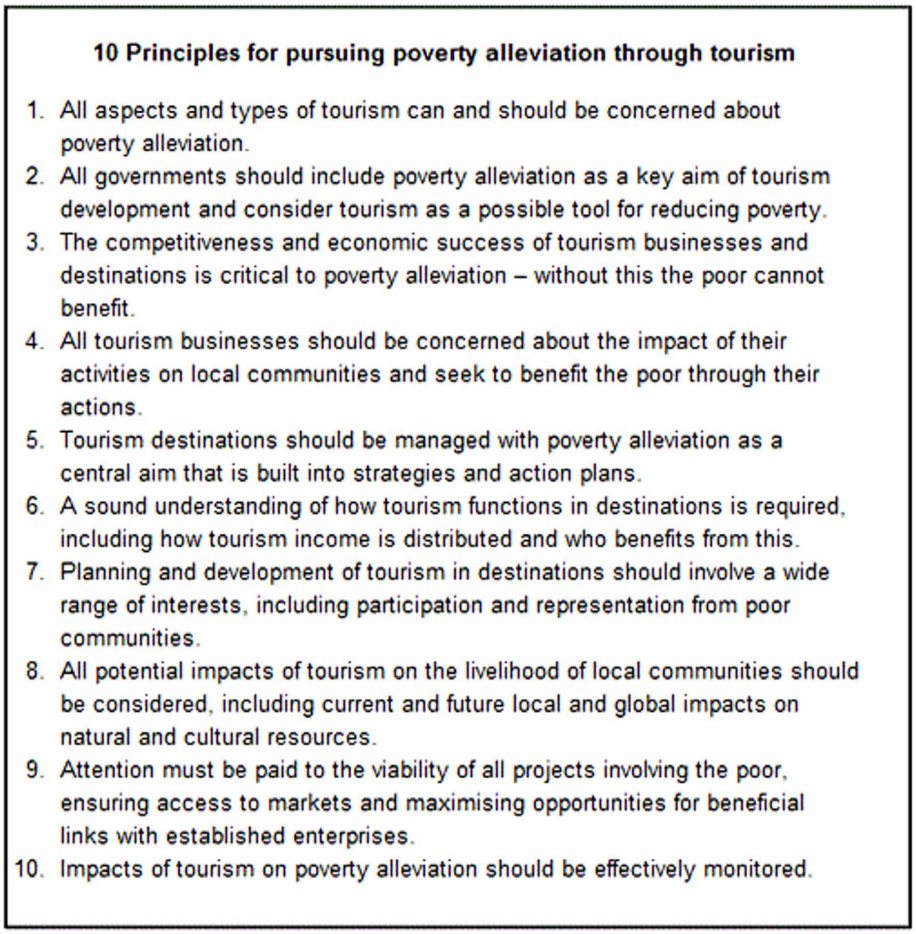
The world tourism organization says that success in poverty alleviation through tourism depends on effective community-public-private partnership that serves to reduce financial leakages and increase economic linkages to local economy. The UNWTO put ten principles of pursuing poverty alleviation through tourism as shows in (Figure 4).

Tourism can contribute to poverty reduction by providing employment and diversified livelihood opportunities. Tourism products can be built on natural resources and culture, which are assets, that some of the poor have and as an additional source of income "tourism" can play an important part in improving living standards and raising people above the poverty threshold (WTO, 2002).

Tourism can be considered one of the most remarkable socio-economic phenomena of the twentieth century. Countries where the economy is driven by the tourism industry have become increasingly

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Figure 4. Principles of pursuing poverty alleviation through tourism



concerned with the socio-cultural problems associated with unsustainable tourism. As a result, there is now increasing agreement on the need to promote sustainable tourism development to maximize socio-economic benefits (Neto, 2003). So sustainable tourism can considered a tool for local socio-economic development in developing countries as we will show.

SUSTAINABLE TOURISM AS A DEVELOPMENT TOOL

The concept of sustainable tourism, as developed by the World Tourism Organization (WTO) in the context of the United Nations sustainable development process, refers to "tourist activities leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems" (UN, 2001).

The idea of *sustainable tourism development* is now a popular concept and refers to allowing tourism growth while at the same time preventing degradation of the environment. There is a special relation-

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ship between tourism and sustainable development; this special relationship arises because, unlike most other sectors, the consumer of tourism (the tourist) travels to the producer and the product. This leads to three important and unique aspects of the relationship between tourism and sustainable development (UNEP & WTO, 2005):

1. **Interaction:** Between visitors, host communities and their local environments because of the nature of tourism, as a service industry which based on delivering an experience of new places.
2. **Awareness:** Tourism makes visitors become far more conscious of environmental issues and differences between nations and cultures.
3. **Dependency:** Much of tourism is based on visitors seeking to experience intact and clean environments, attractive natural areas, authentic historic and cultural traditions, and welcoming hosts with whom they have a good relationship.

This close and direct relationship creates a sensitive situation, whereby tourism can be both very damaging but also very positive for sustainable development.

Over the last fifty years tourism has become one of the largest economic sectors globally. Tourism accounts for a great proportion of world trade, and the market share of emerging economies increased from 30% in 1980 to 47% in 2012, and are expected to reach 57% by 2030, equivalent to over one billion international tourist arrivals. The international tourist arrivals worldwide will increase by 3.3% a year from 2010 to 2030 to reach 1.8 billion by 2030 according to UNWTO long term forecast Tourism towards 2030 (UNWTO, 2013). (figure3.).

In order to develop the tourism sector in a sustainable manner, many developing countries have made tourism a priority in their national development policies. They also should consider that sustainable tourism should not be regarded as a separate component of tourism, but rather as a condition of the tourism sector as a whole. The UNWTO has defined sustainable tourism as "tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities"[8]. A further elaboration of sustainable tourism by UNWTO refers to the need for it to:

- Make optimal use of environmental resources and helping to conserve natural heritage and biodiversity.
- Respect the socio-cultural authenticity of host communities.
- Ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders, and contributing to poverty alleviation.

A fundamental characteristic of the tourism sector is its ability to link the economic, social, cultural and environmental aspects of sustainability and to act as a driving force for their mutual enhancement.

Sustainable Tourism can be one of the few development opportunities for the poor. The tourism business can provide sustainable benefits for both those working in the sector and the host countries – including the least developed of them. The World Tourism Organization (2002) points out that sustainable tourism developed in certain geographical areas may become a fundamental tool in the economic development of and the reduction of poverty in certain areas. More generally, tourism development

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enhances the "visibility" of the country on the international scene, which gives its domestic problems more chances of being taken into consideration (poverty, etc.).

A problem in achieving sustainable tourism development is the lack of experience, knowledge and financial resources, and the limited involvement of local authorities (Briassoulis and Van der Straaten, 1992). So sustainable tourism should also maintain a high level of tourist satisfaction and ensure a meaningful experience to the tourists, raising their awareness about sustainability issues and promoting sustainable tourism practices amongst them. It is important that decisions which influence life at the local level will be taken at the lowest possible level of governance. Knowledge of the area involved and its problems increases local support in the development of a suitable action plan for sustainable tourism. Tourism has become a 'normal' part of a developed economy and will continue to do so in the future. As a consequence, our world is getting smaller all the time (Nijkamp, 1998).

TOURISM GROWING IN DEVELOPING COUNTRIES

Growing tourism levels in developing countries have stimulated increased tourism supply capacity and higher levels of investment in infrastructure, human capital and technologies to manage and efficiently transact higher levels of tourism activity (UNCTAD, 2010).

The world tourism organization says that there is a strong economic case for promoting tourism in developing countries (WTO, 2002).

Table 1 illustrates international tourists' arrivals in the world, (2011-2012). The table shows that there is a noticeable shift of tourism arrivals towards developing countries; this is may be because developing countries are becoming popular destinations for tourists. Also (Figure 5. International tourism receipts by type of country between 1990 and 2008) shows the growing in the international tourism in developing countries.

STRATEGIES TO MAXIMIZE THE ECONOMIC BENEFITS FROM TOURISM IN DEVELOPING COUNTRIES

The way that developing countries can maximize the economic benefits from tourism is to bring in more money from visitors and organize tourism to minimize leakage of both money and jobs. Tourism in the developing countries differs in the role that government and the private sector play in establishing policy and encouraging development. In most developing countries, owing to the small size of the private sector and the shortage of funds, the government necessarily takes on the role of entrepreneur (Shurland, 1998). There are many ways to maximize the economic benefits of tourism (Vaugeois) such as; bring in tourists who spend money in the developing country, and to encourage import substitution within developing countries in a good quality and reasonable price. So governments of developing countries should consider implementing incentive programs to local and foreign investors to encourage the use of local architecture, design and materials, and to develop tourism.

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Table 1. International tourist arrivals

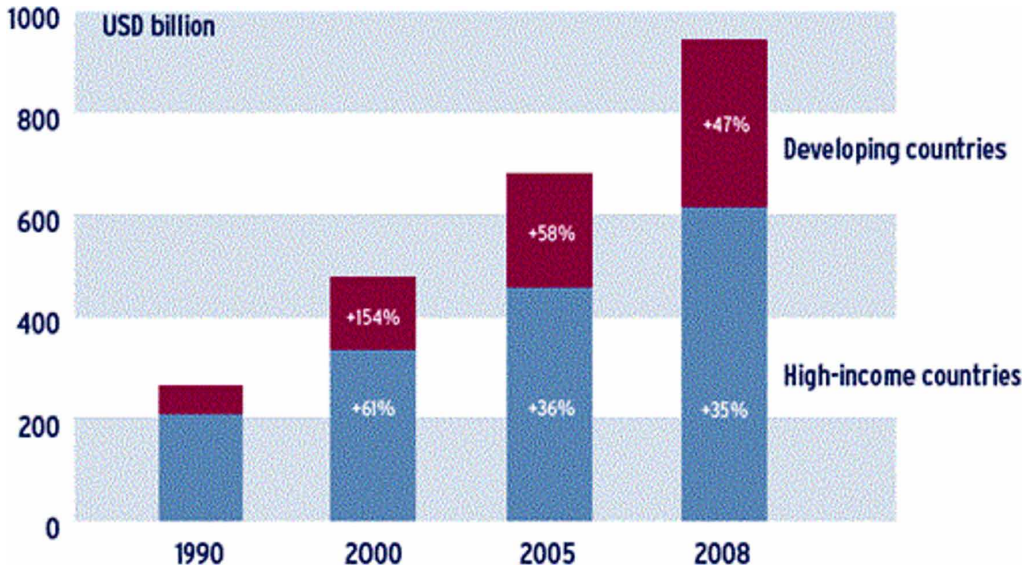
	International tourist arrivals (Million)		Market share ($)	Change (%) 12/11	Average annual growth (%)
	2011	2012	2012	11-Dec	2005-2012
World	995	1035	100	4.0	3.6
Advanced Economies	530	551	53.5	3.8	2.6
Emerging Economies	465	484	46.8	4.3	4.8
Europe	516.4	534.2	51.6	3.4	2.5
Asia and the Pacific	218.2	233.6	22.6	7.0	6.2
Americas	156.0	163.1	15.8	4.6	2.9
Africa	49.4	52.4	5.1	5.9	6.0
Middle East	54.9	52.0	5.0	5.4	5.2

Source: World Tourism Organization (UNWTO) (Data as collected by UNWTO June 2013), **(P.14)**

TOURISM AS A DOUBLE-EDGED SWORD

Tourism represents a double-edged sword for the socio-environmental movement in that it is an activity which is both reviled and revered. It has become a focus for both criticisms, as a result of its impacts, and promotions, as one means of achieving sustainable development. Tourism may have positive economic impacts on the balance of payments, employment, gross income and production. Also, tourism development may considered a main instrument for regional development, as it encourages new economic in a certain area. Nevertheless, because of its complexity and connection with other economic activities, the nature of tourism is multi-activity and multi-sectoral, so the direct impact of tourism development on a national or regional economy is difficult to assess.

Figure 5. International tourism receipts by type of country between 1990 and 2008



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CONCLUSION

Marketing is a subject of vital concern in tourism because it is the principles management influence that can be brought to bear on the size and behavior of the major global market. Tourism also offers huge opportunities for developing countries to increase their income, as tourism carries more weight in the economies of developing countries than in developed countries; it is also destined to play an even greater role in the coming years. Finally, we can say that tourism has become a popular addition to economic development policies in many countries, because its ability to bring in needed foreign exchange earnings, income and employment.

This chapter has shown the importance of tourism in developing countries, there is no doubt that tourism has a significant impact on reduce poverty in these countries. It opened new domains and new opportunities for these developing countries. So we advise governments, businessmen, marketers to give tourism marketing development more attention.

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KEY TERMS AND DEFINITIONS

Developing Country: Is one in which the majority lives on far less money—with far fewer basic public services—than the population in highly industrialized countries. Five million of the world's 6 billion people live in developing countries where incomes are usually under $2 per day and a significant portion of the population lives in extreme poverty (under $1.25 per day).

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Domestic Tourism: Involves residents of a country visiting their own country.

Inbound Tourism: Involves non-residents visiting a country other than their own country.

International Tourist: A person who travels to a country which usual residence but outside his/her environment for at least one night but less than one year.

Outbound Tourism: Involves residents of a country visiting other countries.

Pro-Poor Tourism (PPT): According to the Pro-Poor Tourism Partnership PPT is tourism that results in increased net benefits for poor people. PPT is not a specific product or niche sector but an approach to tourism development and management. It enhances the linkages between tourism businesses and poor people so that tourism's contribution to poverty reduction is increased and poor people are able to participate more effectively in product development.

Sustainable Development: The UN defines it as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainable Tourism: Can be defined as tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities. It can also defined as tourist activities leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems.

Tourism: Comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.

World Tourism Organization (UNTWO): Is the United Nations agency responsible for the promotion of responsible, sustainable and universally accessible tourism. As the leading international organization in the field of tourism, UNWTO promotes tourism as a driver of economic growth, inclusive development and environmental sustainability and offers leadership and support to the sector in advancing knowledge and tourism policies worldwide.

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Chapter 43
Utopia, Labor, and Informational Capitalism:
Lights and Shadows of Social Media

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ABSTRACT

Through the lens of a political economic approach, I consider the question whether or not social media can promote social change. I claim that whereas media have consistently channeled technological utopia/dystopia, thus be constantly linked to aspirations and fear of social change, the answer to that question does not depend on their specific nature but on historically specific social relations in which media operate. In the case here considered, it requires examining the social relations re-producing and produced by informational capitalism. More specifically, I examine how the productive relations that support user generated content practices of Facebook users affect social media in their capability to reproduce and transform existing social contexts. Drawing on Fuchs and Sevignani's (2013) distinction between "work" and "labor" I claim that social media reflect the ambivalent nature of current capitalist mode of production: a contest in which exploitative/emancipatory as well as reproductive/transformative aspects are articulated by liberal ideology.

INTRODUCTION

Mosco (2005) claims that every new wave of media technology seems to bring with it contradictory declarations of ultimate ends, a mixture of messianic and apocalyptic predictions of future, a *Telos* that simultaneously implies modernity and anti-modernity. The radio for instance could connect distant communities, thus enhancing a common understanding of the world, but could also generate phenomena of mass hysteria. In the specific case of social media platforms, they are simultaneously perceived to be rescuing the public sphere (Habermas, 1991), promoting new sociability (boyd, 2010) and, concurrently, to be deteriorating more genuine forms of communication such as interpersonal and dialogic ones, and facilitating further levels of commodification of previously un-colonized spheres of social life (Terranova,2004).

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In relation to such a debate, this chapter provides a framework that tries to synthetize both utopian and dystopian, socially reproductive and reformative aspects of media by focusing on the ways in which the user generated content activity of Facebook users mediate the structural and cultural contradictions of operating in the high-tech environment such as the tension between the liberal ideology of agency and the necessities to monetize their activity. Thus, drawing on Fuchs and Sevignani's (2013) distinction between the exploitative "labor" and the emancipatory "work," the chapter suggests looking at Facebook practices as representative of such a synthesis. This is a political economic perspective that focuses on how social media activities are capable of emancipating and coercing their users and how those ambivalences are mediated by liberal ideology. As a result, the contradictions between viewing technology as emancipating or coercive tend to be normatively framed as politically engaged practices, which could simultaneously be considered as the unpaid labor of producing content for Facebook.

The main theoretical contribution of the chapter consists in providing a political economic critical inquiry of the capability of social media to "mediate" multiple messages, to concurrently generate social transformation and social reproduction (Bloch, 1986).In order to advance my argument, I structure this chapter in three main sections: the first one concerning the link between media and utopian/dystopian societal dispositions in which I show how consistent those aspirations and fears of social change triggered by media are; the second one expounding a perspective that understands those tensions within media as an ideological process that links two aspects of user generated content, i.e. working and laboring; and the third one that uses the case of Facebook to exemplify my framework, the synthesis between working/utopic/transformative and laboring/dystopic/reproductive features of social media.

THE AMBIVALENT FEELING OF MEDIATION

In this section of the chapter, I would like to explore the consistent ambivalent feelings associated to mediated communication that regard media as alternatively determining a feared or a welcome social change. More specifically, I see media as channeling technological utopia and dystopia. By technological utopia I refer to the specific modern ideology assuming that progress of science and technology will eventually fulfill an ideal society in which human scarcity, sufferance and mortality will be overcome (Gendron, 1977). It s*alter*, technological dystopia, describes how technology has been also consistently associated to catastrophic changes, images of technology mediating so much to actually contaminate our humanness as well as compromising genuine social intercourse (Gendron, 1977). As a consequence, almost consistently media have been celebrated to overcome physical and temporal distance among human beings (e.g. the book, the telegraph, the radio, the email), and at the same time distancing otherwise close social relations (Jacobs, 1992). According to Peters (1999) fascination and fear for media went hand in hand with the first groundbreaking physics discoveries about magnetism and gravitational forces. In fact in both cases, people fantasized about the power of "*actio in distans*," the God-like idea of controlling an object without touching it, but also the utopic theory of labor in which production does not require physical force.

For Peters, the stupefying experience of receiving a message from wireless devices, or transposing bodily existences of a person into images were interpreted as the power of human intentions overcoming natural barriers but also as the bizarre and horrific way to create a fake double of a living person, i.e. a "doppelgänger," ghostly appearances and monstrosities. In more recent times, the cultural circumstances in which media operate have significantly changed but are also still consistent with the ideology of a

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technological driven history. In fact, according to Gendron (1977)post-industrial capitalism— the mode of economic development that has shifted its main goals from industrial production to consumption— serves as a base for utopian perspectives by bringing about a technological revolution, which supposedly will bring growth, progress and the elimination of any societal issues. Examined from the teleology of progress, in the end, postindustrial technological utopianism is not distant from earlier utopias of Owen (1995), Fourier (1971), and De Saint-Simon (1964).Those authors believe in the so called "utopian socialism" the project of realizing human being's happiness not in the state of nature as in Rousseau's *bonne savage* (2014)but in the state of culture, in other words in a society enlightens by rational (and therefore just) principles and technology.

However, as already mentioned, mediation, as a metaphor belonging to a conceptualization of modernity understood in its contradictory nature (Horkheimer & Adorno, 1973), has also consistently produced fear, anxiety and dystopic images, which materialized in different forms, as the literary and scholarly tradition of mass society theory confirms: mediation as the a lost of contact with nature (Peters, 1999); mediation as alienating new model of society and rational apparatus that imprisons people in Kafka bureaucratic labyrinths (Marx, 1867);or more recently, mediation as a simulation of reality (Baudrillard, 1988).

To summarize, mediated communication embodies the dialectics of modernity, with its promise of human emancipation and its constant danger to degenerate into humanity's imprisonment. Both represent dichotomous aspects of a general acknowledgment about the power of media to shape our society. In the next section, I will show how the aspirations and anxieties expressed via mediation have perpetrated in the so-called web 2.0 applications and social media as well.

New Media, Old Ambivalences

Ambivalent sentiments seem to have continuously accompanied (mediated) communication (Mosco, 1996), to the point that is possible to draw a parallelism between the preoccupation of Classic Greek philosophy for diverse mode of communication and modern social media, understood here as Internet-based applications that allow the creation and exchange of user-generated content through web 2.0 technology (Kaplan & Haenlein, 2010).

Plato, in his seminal work *Phaedrus* (Peters, 1999), resumes very effectively the anxieties that mediated communication carried with its message. He narrates about the rhetorical confrontation between Socrates's apologies of dialogism against Phaedrus's support of written communication. The former, being face-to-face, direct and personal aims at the communion (*ergo* communication) of the communicating souls involved in the dialogue. The second one, reified into written word, puts distance between the author and his/her audience, between the original communicative goal and how the message is received. The first one is *ad personam* and fill the distance between two people/minds, the second one is wasteful because disseminates indiscriminately messages.

Both modes of communications are considered to be fundamental in the social and political organization of a given community. According to Socrates, whereas the immediacy of dialogue creates bond, love and social relations, the mediation of written word can potentially create social lacunas, misunderstandings and it is lavish because it disseminates words that are not necessarily heard, received or understood (Peters, 1999). Phaedrus instead sees in mediation, the power of "mass" communication in mobilizing society as a whole, in broadcasting knowledge, therefore the power of affecting an entire community.

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Phaedrus is a supporter of what in the early twentieth century mass communication scholars would have called as propaganda.

Dissemination versus dialogue remains a fairly up-to-date category when it comes to examine inherent tensions of social media. For instance, in many ways, the same ambivalence about mediation is reproduced by the controversial notion of virality. A virus metaphorically embodies the idea of the dissemination of a disease that exploits the potential of modern means of communication as a vehicle of infection. At the same time, in a networked culture, a phenomenon can spread or gain popularity by digital vernacularity, by collective conversation, which for Hardt and Negri (2000) has a revolutionary potential. Thus, viruses embody the fear of contagion and the aspiration of social amelioration via interpersonal communication.

In similar ways, Jekins, Green and Ford (2013), explore the phenomenon of "virality" as both the beneficial objective of business marketing to exploit close affective social relations (such as among friends and family),and at the same time as an impoverishing metaphor of audiences' agency. On the one hand, the term viral has been used to describe so many different practices such as buzz marketing, guerrilla marketing video mash-ups and remixes posted to YouTube that trigger dialogue and discussions, which all rely on the amplifying potential of robust communication among people, what Arvidsson and Colleoni define as "affective relations." (2012, p.135).On the other, the idea of virality builds on the concept of quick replication of an original message, which implies a fairly passive conceptualization of the audience/consumer because it assumes an almost automatic and unaware process of communication predominantly propelled by marketing kind of interested.

Virality is only one of many examples that confirm how the critical question of mediation continues to emerge in current media applications as in the case of web 2.0 media and its specific application in social media. In fact, those utopic/dystopic-loaded narratives appear as constitutive of the paradigm shift represented by the transition from web 1.0 to Web 2.0, the second generation in the development of the World Wide Web and successive development of social media (Barbrook & Cameron, 1996). The passage to Web 2.0 implied the evolution from the production of software that created bounded environments in which users where constrained in utilizing the products into flexible platforms in which previously considered passive audiences now have the agency to participate in the provision of content and the construction of the web environment.

The philosophy behind web 2.0 reproduces the social Enlightenment utopia of creating a general intellect, a collective effort to produce human intellectual wealth though collaboration. Certainly, the Web 2.0 changeover did not happen in a vacuum but reflects the general economic shift of post-industrialism and its tendency to shift froman economy selling products to one providing services (Lazzarato, 1996). Both the post-industrial political economic model and the new a participatory perspective materialized via web 2.0 based applications have created a milieu allowing the creation, re-creation and exchange of user generated content: i.e. social media.

Social media offer a highly interactive experience in which both individuals and communities produce cultural content as well as new practices. They have been integrated into practices that go well beyond the social sharing of the first weblogs of early 2000s, such as building reputation and bringing in career opportunities and monetary income, as discussed in Tang, Gu, and Whinston (2012).In the scholarly literature there have been some debates about their definition (boyd &Ellison, 2007; Selwyn, 2007), however there is also a significant consensus in using the term to refer to web-based multimedia production and distribution tools incorporating text (blogs, wikis, Twitter), audio(podcasting, Skype), photo (Flickr) and video (video casting, YouTube) capabilities.

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The ongoing debate about how to best theorize social media is also propelled by the very utopic/dystopic ambivalences we have just discussed. *De facto*, whereas most scholarship agrees on the significant novelty brought by social media as well as the need to develop adequate theoretical tools to study them, a lively debate exists about the their larger social and cultural implications. For instance, in the field of media studies much of the interest in social media could be explained in relation to their alleged capability of radically redefining the meaning of mass communication: the re-discovery of sociability; the blurring of boundaries between the moment of production and moment consumption, the moment of dissemination and reception of the message (Napoli, 2010).

Such a debate reproduces the utopic /dystopic ambivalence, which, in media theory discourse, corresponds to the re-proposing of the classical question: "whether social media do things with people" or "people do things with social media" (Blumer & Katz, 1974).In other words, involving questions about where the meaning of a given text comes from or whether the audience can be consider passively or actively involved in the process of communication.

According to such a narrative, while Internet applications until early 2000 were broadcasting information by the similar logic of traditional media (e.g. radio, TV), i.e. functioning by the logic of one to many, the evolution propelled by Web 2.0 information technology allegedly allowed a democratization and liberalization of information and communication technologies, that led to a many to many logic (Boyd, 2010). For instance, Starke Meyerring(2008) describes the democratic potential of social media to enable, challenge, reproduce or question established practices and social hierarchies rooted in print material, while offering alternative writing practices to those established around print.

As a result, social media such as Facebook are considered to have acquired a greater transparency and permitted cooperative formation of knowledge (Shirky, 2008), which would lead to an empowering experience of social media: "people build their own net-works of mass self-communication, thus empowering themselves" (Castells, 2009, p.421). Furthermore, online social networks contribute to the personal development of people by facilitating self-expression (boyd, 2010).

However, interest in social media could be linked to the dystopian concerns about this technology as well. As mentioned before, media mirrors the betrayal of modernity towards the dream of human emancipation. Accordingly, social media can be seen as limiting freedom and augmenting surveillance through monitoring of personal media practices to the point that Willcocks (2006)compares information society to "control society"(p.4). Other dystopian views of social media include the intrusion into private communication and into classrooms (Dalsgaard & Paulsen, 2008); the potential for identity theft and lurking (Siciliano, 2013); and the way social media facilitates academic dishonesty during tests and examinations (Seitz, Orsini &Gringle, 2011).

Moreover, several scholars have scrutinized new media practices from the point of view of power, labor and value creation (e.g. Arvidsson & Colleoni, 2012; Dyer-Witheford, 1999; Fuchs, 2010, 2012; Hesmondhalg, 2010; Margonelli 1999; Napoli, 2008; Petersen 2008; Scholz, 2008; Willmott, 2010; Zwick et al., 2009). Such a perspective rejects neoliberal "methodological individualism" (Popper, 1971) supposedly characterizing most positive depiction of social media. Most of this critical literature links social media to "digital labor," a productive activity of creating value (especially financial value) in digital environments.

According to Scholz (2012) digital labor has become one of the key concepts in order to both understand the political economic environment of new media and the reason why there is so much discussion around it. One the most critical position in such a debate states that internet has been incorporated in a dominant corporate model of capital accumulation, which is grounded on the exploitation of unpaid

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labor of so-called "prod-users,", i.e. the activity of creating content by users while involved in activates such as blogging, social networking (Terranova, 2004; Cohen, 2008; Fuchs, 2010).

Toffler (1980), more than three decades ago, by the notion of "pro-sumer" (p.*i*) provided an influential standpoint through which understanding the user-driven, cooperative processes of content generation, which are currently associated to Web 2.0 and more in particular social media. However, the pro-sumer is not actually the producer of content but rather a more active, well-informed consumer, capable of orienting his/herself in the universe of consumer culture. Such an expert knowledge on consumer products would allow the pro-sumer to be having better insights about production.

Only later on, when the so-called pro-sumer acquires inexpensive digital production tools, high internet connection, powerful computers, from the sophisticated consumer identified by Toefler, he/she becomes the generator of content by producing blog material, joining social media such as Twitter and Facebook, producing audio visual material, a "prod-user" (Bruns, 2008).The "prod-user" seems to capture more closely those recent changes in the media landscapes. Prod-users are agents that come into this new collaborative space provided by web 2.0 as users but then become producers, thus occupying a liminal position between production and consumption. The kind of production prod-users engage with is not centralized or coordinated but extemporaneous, ongoing, open-ended process. For Bruns (2008), the concept of prod-usage is intended as "a means of connecting such development in the cultural social commercial, intellectual, economic social realms" (p.5). Hepoints out how prod-usage is characterized by open collaborative participation, fluid hierarchic structure of production, unfinished artifacts and common property and individual rewards.

According to the critical political economists of media previously mentioned, it is in such porous boundaries of producing/consuming that the active user of social media, freely generate content for media corporations' interests. Therefore, in contrast to the positive depiction of social media previously exposed, linking those media practices to a process of liberalization and democratization of media, the political economic perspective tends to highlight the level of exploitation of audience labor.

To sum up, web 2.0 and social media seem to reproduce the same ambivalences about media, which can be synthetized into the opposition between utopia and dystopia but also the opposition between human emancipation or human subjugation via media technology. In this sense, a fundamental aspect of this chapter's argument is that those ambivalences, and their apparent consistent reproduction in current media settings, should not be considered as linked to any inherent ideology of media but rather associated to the social relations in which those media emerge, operate and re-produce. Therefore, as I will explain in the next section, in such a contest of material production, ideology does not produce those contradictions but actually mediates between them, thus defusing their potential frictions.

MEDIA AS MEANS OF MATERIAL PRODUCTION

In this section, I provide a political economic account that incorporates the utopic/dystopic media perspectives as ideological reflections of an inherent contradiction of the post-industrial capitalism between emancipatory/transformative and exploitative/reproductive dimensions. In order to accomplish that, I first discuss the need to re-conceptualize ideology as a material force that allows the function of media as a means of production. Then, I discuss how one fundamental task of ideology in these particular productive relations is to weld together the tension between "work and "labor."

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Ideology entered the dominant discourse of the media studies field possibly thanks to the intervention of Critical theory and Cultural Studies and their interest for non-orthodox Marxist perspectives. Ideology represented the main access to a culturally materialist narrative of power (and counter power) in which media appeared as the main protagonists (e.g. Althusser, 1971; Horkheimer & Adorno, 1974; Debord, 1967; Gramsci, 1971; Hall, 1982).However, as Peck (2006), Artz, Maceck and Cloud (2006) and Aune (2004) claim, most of media research seems to still operate within the idealist assumption that ideas produces social reality instead of social reality producing ideas. Furthermore, in many instances, the interest of media scholars for ideology is more focused on the communication process that channels ideology rather than ideology itself. As a result, ideology is almost never linked to labor and material production but reduced to a "result" within the still powerful tradition of mass communication effects.

Conversely, what intrigues the present author about social media is that the practical productive activity of the audience leads to problematize or at least sophisticate the idea of the audience as the alleged recipient of the ideological process. The audience should be regarded as simultaneously being the "predicate" and the 'predicated" of ideology. Such a perspective leads to conceptualization of ideology not as "media effects" merely operating upon people but also actively operated by them, which echoes the Marxian notion of "productive consumption" (Nixon, 2012, p.443). That consists of the audience producing consciousness but also articulating ideas by consuming commodified culture

Marx and Engels in *German Ideology* (2001) maintain that the production of consciousness and the production of ideology are tightly linked to concrete human activity: "the production of ideas, concepts and consciousness is first of all directly interwoven with the material intercourse of man, the language of real life. Conceiving, thinking, the spiritual intercourse of men, appear here as the direct efflux of men's material behavior [...] Consciousness does not determine life: life determines consciousness" (pp.35-36).

However, the audience's consciousness and his/her adoption of specific worldviews do not passively reflect so-called "real life" but interacts with it and therefore cannot simply be reduced to an instrumentalized epiphenomenon of productive logics. Following Bloch's (1986) consideration of the complexity of the ideological phenomenon, I would argue that the ideology of the prod-users is not simply false consciousness— in other words deception— in the same way as consciousness is not simply false ideology because, aside its concealing of exploitation, it comprises a genuine desire of the community for a better society. As Kellner and O'Hara explain (1976), Bloch considers ideology as an ambiguous two-sided phenomenon as it encompasses distortion, mystifications, techniques of manipulation and domination, but it also incorporates a utopian residue. Thus, the cognitive error of ideology and the cognitive accuracy of consciousness (as opposed to false consciousness) maybe distinct but also are highly intertwined, as I will show in a moment when talking about the distinction between "work" and "labor."

Such a process of production of ideology and consciousness generating through the prod-users' activity does not take place in a vacuum, but is immerged in a pre-existing ensemble of ideas and practices. In other words, it interacts also with previous existing worldviews that contribute to give meaning to both media and their usages. I see in social media practices, both the resurgence of a liberal public sphere ideology that tries to colonize all social experiences (Negt & Kluge, 1993) and the assertion of a technological utopianism that equates hi-tech progress with social progress and that consistently manifests with the introduction of (relatively) new means of communication (Mosco, 2005).

So how does more concretely this interaction between "practical consciousness" and practical activity function? In the next section I try to clarify how ideology mediates between two distinct but interconnected aspects of social media's productive practices (and capitalism in general): working and laboring.

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Working and Laboring

I believe that one of ideology's agencies in the social media environment consists in its capability to combine the "objective" element of producing media content and the subjective element of consciousness, thus combining the necessity of production of value with the subjective motivations that lead users to do that for free or to enjoy doing it. In this sense, Fuchs and Sevignani (2013) spell the dialectical aspects of producing. With their investigation on how Marx conceives human practical activity, they suggest the need to distinguish between "labor" and "work." They differentiate the two concepts as follows: "Labor is a necessarily alienated form of work, in which humans do not control and own the means and results of production. Work in contrast is a much more general concept common to all societies. It is a process in which humans in social relations make use of technologies in order to transform nature, culture and society in such a way that goods and services are created that satisfy human needs"(p. 240).

Fuchs and Sevignani base their distinction on Marx (1867) statement that "Labor which creates use-values and is qualitatively determined is called 'work' as opposed to 'labor'; labor which creates value and is only measured quantitatively is called 'labor', as opposed to 'work'"(p.138). The two moments oppose each other when it comes to human emancipation because the realm of freedom only begins where labors ends. Through work human intentions become bound into the product and in such a product people see and recognize themselves. Conversely, labor causes multiple kinds of alienation to the workers, thus disrupting the moment of genuine creative activity intrinsic in the experience of "working."

The two authors point out how productive work seems to be an inherent characteristic of human beings, which then turns into "labor" due to the development of capitalist social organization. However, work is not simply the general anthropological conceptualization of human productive activity. In relation to how historically labor developed in capitalist societies, work remains as more positive *alter*. In fact, Marx (1867) believes that work gives people the chance for human expression and signification, thus a chance to make of the product into signified matter. Instead waged labor appears as alienated work, the denial of the latter. Thus, one can find a dialectic unity of alienation and emancipation, which seems to be inherent in how human practical activity historically developed in capitalist societies.

Such a dual character of producing activities is also embodied in commodities, which present a series of binary oppositions along the axis of work/labor. Commodities comprise the distinct and concrete use-value of work and the abstract de-personalized exchange value of labor; the anthropological necessity of work and the artificial/historical surplus value of labor; the creative side of work and the automatism of labor. Thus a given commodity crystallizes the basic contradiction between freedom and exploitation, but also their fusion in the object itself.

Despite their contradiction, the two productive aspects coexist in capitalism and the survival of capital in fact depends on the interaction of those two aspects. This seemed true at the time Marx wrote and seems an even more fundamental characteristic in the postindustrial contest, in which manual labor is increasingly giving up to intellectual labor. Especially in the contest of knowledge working, the valorization of labor heavily depends on the imaginative creative activity of people (Lazzarato, 1996).

In the concrete social relations that surround social media, working and laboring are in fact synthetized: on the one hand, the social media user is unpaid, alienated from his/her own product and from the work process and becomes a commodity sold to the advertising industry; on the other hand the user is a worker who enjoys constructing his/her own identity by generating the social environment around and is also propelled by a sense of social and political engagement. Thus, the social media user is alienated by his/her unpaid laboring but feels emancipated by his/her working in building sociability.

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Jenkins, Ford and Green (2013) provide an account that seems to acknowledge some of those aspects. In their reading, media landscape is characterized by multi dimensional system, in which different broadcast logics, economies, media and cultural practices converge. Their interpretation of social media describes a reality in which for instance a top-down hierarchy of the broadcast era now coexists with the integrated system of participatory channels, thus suggesting that the same media operating in different social contests may function with different logics.

In fact, their concept of audience labor synthetizes "activity" and "passivity." That is because they acknowledge the fundamental objective of monetizing such labor but also stressing how audience labor generate multiple values: "by contrast, engagement-based models see the audience as a collective of active agents whose labor may generate alternative forms of market value" (p. 117). Some of those values are monetizable, some other actually constitute subversive acts such as parody, mockery of capitalist values.

Dean (2009) would probably find the meaningful participation described by Jenkins, Ford and Green as an ideological fantasy used to sell products and services rather than a description of contemporary political and economic realities. In my view, both the "fantasy" and "reality" are comprised in the ideological phenomenon: as meaningful participation coexists with the instrumental side just described, which are fused together in the audiences productive activities.

To sum up, so far I tried to show how the utopic /dystopic ideologies of media may depend not on the very nature of media but rather on the "nature" of the social relations in which operate. Historically, in the West, that implies acknowledging the overwhelming presence of capitalist relations and, in my view, it is the internal capitalist contradiction between work and labor that create utopia/dystopia, emancipatory/exploitative and transformative/reproductive ambivalences of social media as well as the ideology that mediates between them. In the next and last part of this chapter, I take Facebook as a powerful exemplification of how concretely digital social media reproduces such ambivalences and how those are articulated by liberal ideology.

FACEBOOK: SOCIAL REPRODUCTION AND SOCIAL TRANSFORMATION

Since its first formulations, Liberalism has consistently been capable of fusing together a political and an economic project (Marx, 1867). When for instance in his manifesto of 1644 *Aeropagitica* demanded a "free open encounter" (p.50) of ideas and trade implied that the liberalization of the market and the public sphere were tightly connected (Rosenblatt, 2011). In fact, the link between the two aspects is so profound that both in the public and academic discourse the market frequently becomes metaphor for democracy and democracy becomes a metaphor for the market.

In this sense, if it is true that communication technology has very often-embodied such a link in powerful ways, this is also the case of Facebook. Facebook, currently the world's most popular social network service, which has reached almost 1300 million by June 2014 (Statistica, 2014), is a perfect example, as its rhetoric intermeshes together political and economic arguments. Following the framework just discussed, in this last section of the chapter I examine how the working and laboring aspect of Facebook help us explain how this particular media application is at the same time advancing both social reproduction and social transformation.

The two dimensions can only be analytically distinguished for exposition purposes though, as in reality appear to be consistently overlapping. In this sense, despite the important historical changes that brought capitalism to its current "informational" forms, I think that Marx's observation about the

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contradiction of the capitalist system caught in between revolution and reproduction of its logic are still very pertinent. In *Grundisse* (1973), Marx on the one hand affirms that consistent extraction of surplus value from labor requires a consistent reproduction of exploitation, on the other hand that capitalism to do that must also "revolutionize" its forms:

There appears here the universalizing tendency of capital, which distinguishes it from all previous stages of production and thus becomes the presupposition of a new mode of production, which is founded not on the development of the forces of production for the purpose of reproducing or at most expanding a given condition, but where the free, unobstructed, progressive and universal development of the forces of production is itself the presupposition of society and hence of its reproduction; where advance beyond the point of departure is the only presupposition (p.540).

Capitalism constantly changes everything so everything can remain the same. In other words, it constantly modifies the ways it shapes its labor relations in order to keep producing profit. Such a tension can be consistently found in Facebook. Let us first examine some examples of how Facebook and the labor it exploits contribute to reproduce existing social relations.

Social Reproduction

First of all, from a general point of view, Facebook outsources and crowdsources the labor of media production through the producer-consumer, a practice of cost reducing that not accidentally coincided with rising layoffs in media industries (Deuze, 2007). As Huws notices (2003) the exploitative aspect of unpaid labor in social media comes from a general tendency of capital to offload labor costs onto consumers juts like on the case of self-service gasoline stations, ATM, grocery checkout, which "burden the consumers of unpaid labor" (p. 69). Such a system of exploitation of prod-users has in the case of Facebook exhibited itself rather explicitly as in the case of the program *Facebook Diaries* (Cohen, 2008), which asks Facebook users to send stories and therefore "participate" to a contest that rewards the best stories by broadcasting them on TV.

More concretely, in order to start examining the reproductive function of this social network, Smythe's political economy (1981) and his concern of withdrawing attention to the place of communications in the wider system of social reproduction of capital"(Jhally & Livant 1986, p.129) offers a valuable point of view. According to such a perspective, Facebook represents a means of production, which transforms audience labor of lending attention and providing information/content to media program as commodities to be sold to the advertising industry. Smythe's analysis concerned media such as TV and radio. Consequently, the question at this point is how the contest of an online social network such as Facebook— characterized by high levels of participation, by user-generated content, and by the ability to create varied channels of communication— can allow the application of audience labor just mentioned.

In this sense, Scholz (2010) argues that Facebook produces value through the audience by first of all providing invaluable information for advertisers. According to Fuchs (2012) the primary source of Facebook's value is communication and sociability, which derive from Facebook's extraordinary facility to have access to information, to store it, to process it, to analyze it, and finally to deliver it to its customers. The informational content consists of a variety of data: specific demographics of Facebook users; personal information regarding their tastes, habits, status; information about the kind communicative channels users utilize to socialize; performative information about the specific themes used for impres-

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sion management, and associational information about the specific ways users socialize. In doing that, Facebook provides very detailed profiles of individuals, localized and networked communities, therefore offering important clues on consumers habits and consumer affective relations (Scholz, 2010).

Second, Facebook valorizes audience labor in having the audience providing unpaid services and volunteer work. Scholz (2010) indicates that many Facebook users deliver willingly their time and energy for Facebook usage. He provides the example of a translation application, where users translate Facebook into different languages totally for free. Thus, the more content and the more users join the more profit can be made by advertisements. Hence the users are exploited as they "produce digital content for free in non-wage labor relationship" (Fuchs, 2011, p.299). Third, Facebook monetizes audience's labor by providing data and content for the site, making it more appealing for users who can enjoy looking at photos, videos, comments and links. In other words, the audience provides value to the social network by providing content that is used to attract and invite new users to join the network. Thus, the more content the higher the profit from audience's labor, and the more the content higher the chance to employ more labor by opening more accounts.

In the already discussed contest of informational capitalism, the fact of Facebook being capable of monetizing unpaid knowledge work has an incredible reproductive power by replicating a logic of both labor and extraction of value from labor that, as already mentioned, tends to move an increasingly larger part of the economy. This is the kind of informational economy based on affective relations (Arvidsson & Colleoni, 2012), also described by terms such as "Thank you economy," "Social Economy," or the "Gift economy" (Vaynerchuck, 2011).

Another way in which Facebook reproduces existing social relations is by alienating its workers/users, estranging them from a possible awareness of their actual position within Facebook's process of valorization. According to Fuchs and Sevignani (2013), users are alienated from themselves because they are coerced to use Facebook by way of peer pressure and a lack of viable alternatives (p.257); users are alienated from "the instruments of labor" (p.257) because they do not own the communication platform itself and because their "brains, hands, mouths, ears and speech, the Internet and platforms" (p.258) are instrumentalized "for advertising" (p. 258); moreover, users are alienated from the "objects of labor" (p.259) on Facebook—which the authors identify as shared representations of experiences "through a legally binding agreement" (p. 259); and finally users are alienated from the product of labor due to the peculiar divide between use-value and exchange-value of symbolic produce online: the "use-values that Facebook users create are at the same time commodities that Facebook offers for sale on a market" (p.259).

The two authors also talk about an inverse kind of fetishism (2013), which describes how users deny the reifying aspects in their relationship with Facebook by stressing the social gratifications they obtain from using the service:

In the world of digital labor, the fetish character of the commodity takes on an inverted form. We can speak of an inverse fetish character of the social media commodity. The commodity character of Facebook data is hidden behind the social use-value of Facebook, i.e. the social relations and functions enabled by platform use. The inverse fetish of Facebook is typically expressed in statements like "Facebook does not exploit me because I benefit from it by connecting to other users." (p.261).

Valtysson, (2012) also notices that Facebook reproduces the existing mode of production by enhancing the colonization process of exchange logic (commodities, instrumentalism) to more amore private spheres, thus opening more ground to the process of commodification and the subsumption by capital. For the author, services like instant personalization and user's "timeline" represent a continuation of the process of receiving/sharing information about its users to and from other websites. This information is

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used for commercial purposes, which makes it an act of colonization, as users are turned into consumers. Similarly, Netchitailova (2012), talking about privacy, claims that Facebook reproduces the same contradictory and discriminatory understanding of private property that capitalism conveys: socialization of production and privatization of the gains from that. On the one hand, privacy is celebrated as a universal value that protects private property; on the other hand, corporate interests of businesses like Facebook surveys and lure audience private lives in order to extract profit out of it. Such a contradiction manifests in the inconsistency between Facebook's rhetoric of discretionary privacy settings, and its systematic collecting of data from users.

Finally, Facebook has acquired another important role in replicating the existing social relations by becoming a fundamental factor in the reproduction of social and cultural capital (Fuchs, 2012; Briziarelli, 2013). In fact, users build and preserve relations not only for sociability purposes but also for the objective to perform networking kind of socialization. According to Bourdieu's notion of social, cultural and symbolic capitals (1986), users spends time on Facebook (and other social media) to generate that kind of capital of affective relations that may facilitate their continuous effort of manage an impression but also useful for a business activity or for credentials.

To sum up, Facebook operates as a powerful re-producer of the necessary social relations (i.e. audience unpaid labor, link to the advertising industry), and more broadly, the necessary ideological and cultural logic of capitalism. However, as previously mentioned, ideology does not simply serve instrumental goals but also link those to more utopic aspirations. Thus, in the next section, I examine how by reproducing main ideological components such as consumer choice as individual freedom and the liberal idea of civic engagement, Facebook also offers a potentially transformative potential. I will show how liberal ideology is the mediating bridge that can manage to keep united two apparently opposed poles: exploitative labor and (potentially) emancipatory work.

Social Transformation

Kushner in a *Rolling Stone* article applauded Facebook in terms of "citizen" and "consumer" choice (2006): "the long epoch of top-down culture […] is fading faster than anyone predicted. The more vibrant world is bottom up, powered by the people" (p.1). As Cohen notices (2008), innovations information and communication technology tend to be accompanied by the teleological narratives of progress and human perfectibility.

Indeed Facebook reflects the liberal normative social projects to emancipate people through the market, through Smith's public use of instrumental and individualist reason, through Kantian publicity (i.e. the public use of reason), and through technology and communication ideological representations. Those are all facets of the liberal discourse/ideology of modernity (Passerin & Benhabib, 1997). They are at same time ideological fictions but also relevant existing promises that have historically mobilized people for some time now and they still operate through the utopia of media as technological promises of human comprehension and social pacification. Facebook indeed combines both the already mentioned exploitative and utopic aspects of media.

As Kessler (2007) notices, Zuckerberg, the founder of Facebook, consistently utilizes the rhetoric of novelty, social change and promise of social amelioration through media technology, which, in its clear instrumentality, also resonates with genuine existing democratic sentiments. In the Facebook "manifesto," (2007), the founder describes the "social mission" of the platform as it follows:

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Facebook aspires to build the services that give people the power to share and help them once again transform many of our core institutions and industries […] We believe building tools to help people share can bring a more honest and transparent dialogue around government that could lead to more direct empowerment of people, more accountability for officials and better solutions to some of the biggest problems of our time. By giving people the power to share, we are starting to see people make their voices heard on a different scale from what has historically been possible. These voices will increase in number and volume. They cannot be ignored. Over time, we expect governments will become more responsive to issues and concerns rose directly by all their people rather than through intermediaries controlled by a select few (p.1).

Zuckerberg rhetorical arguments makes leverage on the technologic utopianism which recovers liberal ideology through the reassertion of the public sphere and Kantian publicity, which is represented in the text by both the use of reason in public and the idea of political power under public scrutiny. Such a rhetoric is also conveyed by a more general narrative of social media, which are often described in the public discourse as "Web 2.0," "social media," "participatory media," "citizen journalism," "user generated content," "user driven innovation," or "social software." Such a civic consciousness ultimately re-articulates in terms of "ethical work" and "ethical citizenship" the (neo-) liberal ideological fiction of a civic society not ruled by the state as external apparatus but by the market as an internal, ethical, self-sufficient and self-balancing system.

However, the civic engagement that Facebook proposes reflects the kind of confusing all-encompassing civic engagement that Berger (2011) problematizes as being even potentially counter-productive for the development of a truly democratic system. In this sense, when it comes to digital media, Ekman and Amnå (2012) point out the need to distinguish different degree of political activisms. They distinguish between "political participation" (including formal political behavior as well as protest or extra-parliamentary) and less direct or "latent" forms of participation, conceptualized here as "civic engagement." Still, regardless of its actual effectiveness, the perception of a usage of Facebook for some degree of political activism reveals an important source of normativism towards alternative or improved forms of sociability (Valtysson, 2012).

Such a normative thrust is not simply present in the rhetoric of its founder but also in the daily practices of Facebook users. In fact, aside the significant aspect of management impression according which users utilize this platform to construct, negotiate and reproduce a given identity, many users understand the function of "sharing" links and content as a way to establish a platform for discussion of matter of public interests, to sensitize specific issues. Furthermore, as the study conducted by DeRosa (2013) confirms, people use web 2.0 platform in order to construct a new understanding of citizenship, a digital citizenship that re-interpret democratic deliberation as "e-democracy." As Dean (2009) observes social media are less places enhancing critical debate than platforms devoted to corporate profit. However, as I tried to demonstrate they also work as platforms providing an ideological rationalization and moralization of "free labor" because they produce the impression of subjective visibility and social and political agency.

Thus, as Bloch recognizes, although often mirroring" how the ruling class wishes the wishes of the weak to be" (1986, p.13), the ideologies in Facebook can also provide a 'transition' stage and display a drive towards a better life, and real possibilities to transform societies. In Facebook, Bloch (2004, p.40) would probably find two different ideological utopian aspects First, via Facebook users embrace what Bloch defines as "wish-fulfillment" (p.40) aspects, which consist in the elimination of the roots of human

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un-happiness such as social solipsism, alienation, physical, social and cultural distance that otherwise would separate society's members. The second aspect, instead of eliminating "constructs" (p.40) the utopia by contributing to re-agreements of organization, civic order and political arrangements.

The apparent openness of Facebook to whatever content or community organization would appear as promise of the reality "not yet" realized. The anticipatory consciousness of Facebook users perceives the unrealized emancipatory potential in Facebook. Indeed, as already mentioned, Facebook is not a public sphere for critical thought. Nevertheless, in that ideological surplus value of the bourgeois notion of citizenship with its individual rights, civil liberties, and actively engaged autonomy, users express something more than mere legitimation and apologetics for bourgeois institutions and practices.

Thus, what Facebook points out is an ambiguous reality. On the one hand, Facebook can and should be considered as phenomenon that further rationalizes, colonizes and commodifies more spheres of our lives. On the other, the fact that our private sphere becomes a commodity that is a sold in a particular market makes that market as a liberal arena in which, aside goods, ideas can, wishful-thinkingly enough, move freely. As a result, the unpaid and exploited labor of generating content also gives the impression of a more constructive and positive working.

Another aspect that reveals the potentially transformative feature of Facebook is its connectivity capability, which facilitated the mobilization of people in specific circumstances. In other words, the very bases of Facebook political economy, what we described as "affective relations," allow exploitation and radical insurgency. In fact, Facebook is considered to have played an increasingly central role in facilitating and organizing social movements and political upheavals from the Anti-Globalization movement to the Arab Spring. Pollock (2011) reports how two underground Tunisian hackers known as "Foetus" and "Waterman," and their organization, Takriz, played a remarkable role in the Arab Spring by taking advantage of social media such as Facebook, in order to send messages, to document police repressions and to mobilize people.

Finally, if Facebook may be considered as a source of alienation, should also be evaluated for its de-alienating effects. Trying to explain the coexistence of exploitative and normative features, Fisher (2012) points out Facebook's promise of de-alienation: if alienation is about the lose "authorship" of the product of labor, social media such as Facebook grant users much more control over the production of process of communication, thus the self expression, identity building aspects that frequently celebrated are for Fisher de-alienating mechanisms. According to Fisher, the paradox of Facebook consists of the fact that the more socially reproductive is the higher the potential for de-alienation.

To conclude, Facebook reproduces the ambivalences of a productive activity that in the Twenty First century capitalism involves a complex reality in which extraction of labor value and a degree of self-realization are all combined in a complicate picture held together by a liberal ideology.

CONCLUSION

To conclude this chapter, I would like to provide a synthetic answer to my original question: Facebook indeed is capable of producing social change but such a change is limited by the social relations in which it works, thus, at a higher level, it can only accomplish that by reproducing the underlying capitalist relations that created it. In the end, the evaluation of the capability of social media to promote or repress social change needs to take into account the specific social relations in which those media operate and are operated.

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This is a conclusion that celebrates human agency because after all social relations are only and exclusively produced by people working, playing, consuming producing, chatting and discussing. At the same time, it is a statement that problematizes individual and immediate kind of agency because those social relations, throughout time and because of specific interests annexed to them, become crystallized in institutions such as the market, the law, the state, and in worldviews, such as liberal ideology or democracy. Quite evidently, those social relations are not easily changeable in the same way in which a single user can re-appropriate and re-signify a given media text. Thus, the moral of the story, to paraphrase Marx is that people via media make history but not under the conditions of their own making.

Another important conclusion for this chapter and its objective to examine both transformative and reproductive aspects, is that I tried to advance the understanding of one distinctive characteristic defining social media: the " relationship between willing participation and commercial exploitation" (Andrejevic, 2011, p. 83).From such a perspective, the utopia /dystopia associated to media become dimensions subsumed by capitalism as "work" and "labor" aspects: whereas applications such as Facebook appear to provide agency for "pro-sumers," they also provide a powerful access for capitalist interests to exploit social media's sociability.

Thus, I claimed that the utopian aspect of "work" and the dystopian aspect of "labor" can coexist thanks to the mediation of ideology. That is understood as a conception of the world as well as a consciousness that both develops thanks to the productive activity of Facebook users as well as echoes existing ideologies such as the liberal conceptualization of the market and the liberal democratic political process. In this sense, from a broader perspective, this chapter has explored the richness of the concept of mediation, which in this case, presents various and distinct facets deserved to be explored more thoroughly in their complex interaction: mediation as communication, as technology, as ideology, as an embodied metaphor for social anxieties and social aspiration. Thus, as theorists such as McLuhan (1964) have observed, what is actually transmitted (or mediated) in a communication process consistently exceeds the mere message; it is a synthetic social commentary that speaks about a society as a whole.

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KEY TERMS AND DEFINITIONS

Audience Labor: A particular political economic perspective that considers audience as a key productive factor in media business.

Ideology: A particular worldview (such as liberal ideology) that acts as a mediating and reproductive force of a given set of social relations.

Labor: It is a historic specific kind of work resulting from a highly developed social organization of production, therefore specific social relations. It is coercive and exploitative.

Mediation: Both a concrete and conceptual way to talk about mediated communication.

Political Economy of Media: The study of the social relations, particularly the power relations, which mutually constitute the production, distribution, and consumption of resources, including communication resources.

Pros-User: The user that operating in web 2.0 environment blurs the boundaries between production and consumption of media material.

Social Media: Web-based multimedia production and distribution tools incorporating text audio, photo, and video, capabilities, which are characterized by enabling users to create and share content or to participate in social networking.

Social Reproduction: A process that tends to significantly reproduce a given set of social relations.

Social Transformation: A process that tends to significantly change a given set of social relations.

Technological Utopia: The specific modern ideology assuming that progress of science and technology will eventually fulfill an ideal society in which human scarcity, sufferance and mortality will be overcome.

Work: A basic anthropological necessity, which leads human beings to act upon nature and to "produce" material products for their own survival. It is also a practical and creative activity that allows people to express themselves through objects.

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Section 4
Utilization and Applications

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Chapter 44
The Inter-Linkage Between Governance and Poverty: Evidences from SAARC Countries

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ABSTRACT

This chapter aims at assessing the impact of governance on the country's economic and human well-being in the selected South Asian countries. The study finds that for the countries-India, Pakistan, Bangladesh, Sri Lanka and Nepal, over the years 1990-2012, the growing rate of GDP per capita (PPP) and growing employment to population ratio has a significant negative impact on the Global Hunger Index as expected. Also the panel regression run for the eight SAARC countries over the period 2007-13 to find out the impact of each of the six governance indicators on the per capita GDP showed that political stability and absence of violence, government effectiveness and regulatory quality have very strong and significant role in augmenting the economic output besides the remaining indicators. The trends for each of the indicators across countries over time show that except Bhutan, none of the countries are exhibiting good performance of the governance indicators.

INTRODUCTION

It is undeniable that governance is an indispensable regulatory parameter in upbringing the health of an economy. The public expenditures made in the past periods have a positive correlation with the human development index in the current period (UNDP, 2013). Likewise, efficient governance is a precondition for any nation to benefit from the various development programs taken up for the mass human development. Over the past few decades, policy measures have been taken up in the developing and underdeveloped countries all over the world through provision of certain basic entitlements necessary for a decent living like providing food, education, health services, safe drinking water, besides several

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other entitlements which in turn enables the people to work and earn their living thereby promoting human and economic development.

The target of a state is to maximize the welfare. This act of maximizing the welfare is successful if the welfare is inclusive: that which involves all the sections of the society irrespective of economic class, topography, age, gender, caste, creed, political affiliation, education etc. and the public services that the state provides should percolate equally to all the targeted beneficiaries. The public welfare entwined with the welfare of the state thus depends on how efficiently the state runs its administration for implementing the various schemes taken for the well-being of its stake-holders (public). It also depends on the level and extent of participation of the public in the decision making process and in policy framework for those specific beneficiaries. The Government should be maintaining a transparent system which would involve an active participation of the stake-holders (both providers and beneficiaries) thereby promoting public confidence on the Government. The stronger the public confidence on the Government, the larger is the scope for the state to receive foreign and domestic investment, which, if sustains, would further promote production.

Several outcomes act as parameters for a sustained growth and development. Higher investment occurs due to sustained increased consumption which augments labor employment and hence better job prospects. Thus proper resource allocation, distribution and utilization are very important aspects for a sustained development. When public resources are privately used up by the public servants for their personal gain, there appears the failure of strong governance, resulting in corruption. International confidence on the concerned domestic countries is very much dependent on the perception of corruption. If the beneficiaries and stakeholders of the public services perceive and express satisfaction about good functioning of the government thereby facilitating all the stakeholders equally and justly, there is said to exist good governance. Thus growing and sustained international confidence in an economy invites more of foreign investment and aid which promote development. So, a good governance results in higher economic growth, better redistributive policies implying equitable distribution of wealth and resources, increased employment opportunities, rising income, production, consumption, investment and economic growth. In economies where the inequality is high, the differences between the rich and the poor are demarcated well; there exists poverty among the lower sections of the society. If inequality is high, the aggregate demand made by the consumers in the society as a whole lowers which in turn affects production. As production goes down due to reduced demand, the producers cut short their production expenses, as a result of which, unemployment occurs resulting in loss of earning opportunities. Thus, in an economy with persistent inequality and poverty, there is less equity in all the sectors of the economy. The sectors may be economic, social or political. So a welfare oriented state which always aims at good governance reduces poverty, lowers economic inequality and promotes equitable distribution and participation.

The international organizations and regulatory bodies like the World Bank and the IMF are concerned with the issues of governance and institutions in the developing economies, particularly with corruption. Evidences are there which say that good governance and institutions help in accelerating development and in reducing poverty in the developing countries. Thus good governance impedes corruption and poverty in developing economies.

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DEFINING GOVERNANCE AND GOOD GOVERNANCE

Governance is the exercise of economic, political and administrative authority to manage a country's affairs at all levels. The dimensions of good governance as proposed by the World Bank Institute's Kauffmann, Kray and Mastruzzi (2010) are as follows

- **Political Stability and the Absence of Violence:** Capturing perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism. Economic and social integrity is very much necessary for efficient execution of the various development programs.
- **The Rule of Law:** capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. Maintenance of proper law and order in the state augments smooth functioning of the administration for implementing its policies is necessary.
- **Voice and Accountability:** Capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. Participation of the beneficiaries and their ability to contribute in the policy making process, giving feedback and standing against the motion. The government should make every possible attempt to maintain a transparency in their policy implementation process. There should not be ethnic, gender and class bias and all citizens can equally raise their voice against any sort of corruption.
- **Regulatory Quality:** Capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. The government should act as a facilitator for encouraging private sector development in certain basic sectors like health, education, etc. in developing nations.
- **Government Effectiveness:** Capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
- **Control of Corruption:** Capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

Thus, to be precise, these parameters are very much decisive in determining the effectiveness of various policies that are implemented for reducing poverty and inequality across nations for promoting growth with economic development. Although good governance focuses on the interactions of the state and society, its origin lies in economic concerns. Aid donors believe that development depends on the issues of governance. The purpose of good governance is commonly seen as a promoter of development. 'Bad' governance is identified with corruption, wastefulness, incompetence, and unresponsiveness, all of which impede economic development and perpetuate poverty. The World Bank's view of good governance is seen as a strategy for development, or a principle to guide donors and investors when they make decisions. The Bank's economic liberalism ensures that its wish-list includes the promotion not

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only of liberal democratic political institutions, but also of a market economy, free trade, and reduced public sectors.

The term 'good governance' became popular in the 1990s when it was used in relation to economic and social development by the World Bank as a part of its lending requirements. A better governance results in improved functioning of the social and economic development policies which tends to reduce persistent inequality and poverty. Failure of political governance results in corruption.

Governance in South Asia

The lack of effective governance has emerged as one of the foremost challenges in South Asia. South Asia is amongst the most vulnerable regions of the world after Africa to hunger due to high levels of poverty and deprivation. Heavy reliance of the region on climate sensitive sectors such as crops, livestock, forestry and fisheries also place it in a vulnerable position. Despite the developed economies' recession in the recent years, South Asia has experienced the fastest growth in the world in the recent years. The South Asian region has achieved an economic growth averaging 6.5 percent annually during 2000-12, however, this is not enough to reduce poverty and ensure food security[1]. South Asia is a region rich in culture and tradition, but poor in governance for human development. It has three-fifths of the world's population and positive growth rates, which managed to sustain in the face of the global financial crisis since 2009. Though South Asia has shown much potential towards sustained economic growth, poverty alleviation and human development, poor governance has deterred the improvement. Social, economic and political factors are equally responsible for human deprivation in the region. South Asia is unable to cope up with the problems of poverty, deprivation of the masses, social exclusion, rapid urbanization and environmental degradation caused by the forces of development. The region reports highest incidence of child malnourishment. The maternal mortality rates in some countries are very high and majority of the births take place unattended by the skilled medical professionals. Women are forced to work in the informal sector where wages are very low and minimum standards are even not maintained. Rapid urbanization is putting more strain on urban water and sanitation systems. *Table 1* provides a highlight on different magnitudes of the six governance indicators across the countries of the list.

Table 1. Regional profile of the governance indicators across SAARC countries 2012

Country	GDPPC (current US$)*	GE	RQ	RL	CC	VA	PSAV
Afghanistan	678.3479	-1.4	-1.21	-1.72	-1.41	-1.32	-2.42
Bangladesh	829.2515	-0.83	-0.96	-0.91	-0.87	-0.42	-1.35
Bhutan	2498.391	0.48	-1.12	0.19	0.82	-0.32	0.81
India	1498.872	-0.18	-0.47	-0.1	-0.57	0.35	-1.25
Maldives	6665.768	-0.16	-0.35	-0.5	-0.44	-0.52	-0.28
Nepal	694.1048	-0.99	-0.81	-0.79	-0.83	-0.7	-1.38
Pakistan	1299.119	-0.79	-0.73	-0.91	-1.06	-0.87	-2.68
Sri Lanka	3279.891	-0.24	-0.12	-0.11	-0.24	-0.6	-0.71

* implies data for GDP per capita corresponds to the year 2013

The six governance indicators are government effectiveness, regulatory quality, rule of law, control of corruption, voice accountability, and political stability & absence of violence.

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Corruption and Poverty

Following Chetwynd and Spector (2003) report on corruption and poverty which concludes that *corruption has direct consequences on economic and governance factors, intermediaries that in turn produce poverty*, this study proceeds with the structural framework as has been given by the said authors. Corruption in the public sector -- the misuse of public office for private gain -- is often viewed as stimulating conditions of poverty (low income, poor health and education status, vulnerability to shocks and other characteristics) in countries already struggling with the strains of economic growth and democratic transition. Alternatively, countries experiencing chronic poverty are seen as natural breeding grounds for systemic corruption due to social and income inequalities and perverse economic incentives. They discuss two major models explaining the moderated linkage between corruption and poverty: an economic model and a governance model.

The Economic Model postulates that corruption affects poverty by first impacting economic growth factors, which, in turn, affect poverty levels. Economic theory and empirical evidence both demonstrate that there is a direct causal link between corruption and economic growth. Corruption hampers economic growth by discouraging foreign and domestic investment, taxing and dampening entrepreneurship, lowering the quality of public infrastructure, decreasing tax revenues, diverting public talent into rent-seeking, and distorting the composition of public expenditure. Besides limiting economic growth, corruption also aggravates income inequality. Corruption distorts the economy and the legal and policy frameworks allowing some to benefit more than others; there is unfair distribution of government resources and services; corruption reduces the progressivity of the tax system; corruption increases the inequality of factor ownership; and lower income households (and businesses) pay a higher proportion of their income in bribes than do middle or upper-income households. Thus corruption impedes economic growth thereby resulting in income inequality which aggravates poverty.

On the other hand, there are evidences that an increase in GDP produces an increase in the income of the poor. However, income distribution is an important mediating factor because economic growth may not always benefit the poor.

The Governance Model asserts that corruption affects poverty by influencing governance factors, which, in turn, impact poverty levels.

- Corruption reduces governance capacity, i.e. it weakens political institutions and citizen participation and leads to lower quality government services and infrastructure. The poor suffer disproportionately from reduced public services. When health and basic education expenditures are given lower priority, for example, in favor of capital intensive programs that offer more opportunities for high-level rent taking, lower income groups lose services on which they depend. Corruption is consistently correlated with higher school dropout rates and high levels of infant mortality.
- Secondly, impaired governance increases poverty by restricting economic growth and, coming full circle, by its inability to control corruption.
- Thirdly, corruption that reduces governance capacity also may inflict critical collateral damage: reduced public trust in government institutions. As trust -- an important element of social capital -- declines, research has shown that vulnerability of the poor increases as their economic productivity is affected. When people perceive that the social system is untrustworthy and inequitable, their incentive to engage in productive economic activities declines.

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Thus, anti-corruption programs that are crafted to address issues of economic growth, income distribution, and governance capacity, government services in health and education, and public trust in government are likely to not only reduce corruption, but reduce poverty as well.

RATIONALE, BACKGROUND AND MOTIVATION OF THE STUDY

In developing countries, characterized by high growth rate of population and large volumes of underutilized resources, inequality is an outcome of unequal distribution and utilization of resources. Inequality in access to public services, contribution to the country's GDP etc. makes weaker section of the people vulnerable to situations of poverty. The concept of class differentiation between the 'have's and the 'have-not's hence comes into play which gradually creates inequality which widens over time if no sudden big-push pulls them out of the well. Education, health services, housing, sanitation and communication are the chief areas which create the gap between the rich and the poor. Those suffering from lack of access to these basic amenities hence become weak in terms of their physical, mental and economic ability to get them employed. Thus unemployment results in widening the persistent gap resulting in poverty, which when worsens, results to situations of hunger and malnutrition. Thus inequality leads to violence and corruption which are causal factors for weak governance.

The first decade of the 21st century experienced the global financial crisis and worldwide recession which made the policy makers in South Asian countries re-evaluate their planning and budgeting priorities thereby making major cuts in development spending. Besides experiencing frequent natural calamities, the region also suffers from increased military, extremist activities which make governance vulnerable. Despite all these negative forces which tend to deter human development in South Asia, the economies of South Asia- India, being the largest of its kind among the SAARC countries, has experienced a sustained economic upsurge led by the rapid emergence of the information and communication technology (ICT) sector. In the face of the recent crisis, where developed economies had run bankrupt, India and China managed to grow with a positive growth rate. This phenomenal success has earned these countries the confidence of the foreign investors and has henceforth started being the favorite destinations of foreign investment and aid which will promote economic and social development. On the other hand, the crisis has taught the economies to cut short their expenses by means of better governance. Evidences say that when an economy curbs its public expenses on any public program it is the poor who suffer the most. Thus the austerity measures of the government should be such that it does not affect the masses, or even if it affects, the intensity should be minimum.

In this context, it is relevant to discuss the various dimensions of governance as developed and practiced in the South Asian region. It is the state's responsibility to provide basic amenities that enable its citizens to enjoy their 'right to life with dignity'[2].

RESEARCH GAP

This work is very elementary in its approach to the linkage between governance and the country's economic output and poverty

The poverty measures were not available for all the SAARC countries over the common time frame. Data for Afghanistan, Nepal etc. are not available preceding 2002 and for all the years following it for

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aggregate national income. Due to the irregularities in the household surveys and variations in the methodologies for calculating the poverty estimates, the popularly used poverty indices could not be used. Thus another important dimension of poverty, viz. the per capita gross domestic product is being used which would also signify the economic growth pattern of the concerned countries. Data on poverty head count ratio, Gini coefficient measure of inequality is not available for all the years for all the countries, hence we cannot use the data for comparison.

REVIEW OF LITERATURE

Mahbub ul Haq Human Development Centre's (2012, 2013) approach to Governance is from the stand point of economic, human and social development which has been described in the following section.

Good governance from the standpoint of human development is redefined as humane governance. This definition is based on the fact that the costs of poor governance, whether in terms of un-enforceable property rights and contracts, deteriorating law and order, or widespread absenteeism by teachers and doctors are largely borne by the poor people. Hence human development takes the centre-stage of any governance agenda where humane governance is simply defined as good governance dedicated to securing human development.

Good governance requires participation of people in the state, civil society and the private sector to build the capacity of all people including deprived and marginalized. Humane governance is conceptualized in three interlocking dimensions: good political governance, good economic governance and good civic governance.

Chetwynd and Spector (2003) in a report containing a vast review of literature on corruption and poverty explore the linkages between corrupt free governance and an economy's well being, both socially and economically.

ECONOMIC MODELS OF CORRUPTION

A vast literature is available showing an inverse correlation between aggregate economic growth and corruption; in general, countries with higher corruption experience less economic growth. Corruption affects economic growth, through deterring investment and entrepreneurship, distorting markets, and undermining productivity.

Corruption Impedes Economic Growth

The relationship between corruption and economic growth is complex. Economic theory supports the notion that corruption hinders economic growth in the following ways:

- *Corruption discourages foreign and domestic investment*: Rent seeking behavior increases costs and creates uncertainty, reducing incentives to both foreign and domestic investors.
- *Corruption taxes entrepreneurship*: Entrepreneurs and innovators require licenses and permits and paying bribes for these services cuts into profit margins.

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- *Corruption lowers the quality of public infrastructure:* Public resources are diverted to private uses, standards are waived; funds for operations and maintenance are diverted in favor of more rent seeking activity.
- *Corruption decreases tax revenue:* Firms and activities are driven into the informal or gray sector by excessive rent taking and taxes are reduced in exchange for payoffs to tax officials.
- *Corruption diverts talent into rent seeking:* Officials who otherwise would be engaged in productive activity become pre-occupied with rent taking, in which increasing returns encourage more rent taking.
- *Corruption distorts the composition of public expenditure*: Rent seekers execute those projects for which rent seeking is easiest and best disguised, diverting funds from other key social sectors like education and health.
- *Corruption discourages domestic investment*: In countries like Bulgaria and Latvia, planned investments were dropped due to corruption.
- *Corruption hurts entrepreneurship especially among small businesses:* Several studies reported that small businesses tend to pay the most bribes as a percentage of total revenue.
- *Corruption decreases revenue from taxes and fees*
- *Corruption invigorates income inequality*

Several studies have demonstrated a relationship between corruption and income inequality. The theoretical foundations for this relationship are derived from rent theory and draw on the ideas of Rose-Ackerman (1978) and Krueger (1974), among others. Propositions include:

- Corruption may create permanent distortions from which some groups or individuals can benefit more than others.
- The distributional consequences of corruption are likely to be more severe the more persistent the corruption.

Gupta, Davoodi, and Alonso-Terme (1998) studied the impact of corruption on income distribution When Gini coefficients for income per capita (measures of income inequality) were graphed against the Transparency International (TI) Corruption Perceptions Index (CPI), *lower levels of corruption were seen to be statistically associated with lower levels of income inequality* (simple correlation was +0.72).

In another study of 35 countries (mostly OECD countries), Karstedt hypothesized that corruption supports, stabilizes and deepens inequality.

In conclusion, the literature establishes clearly that corruption impedes economic growth and augments income inequalities. Since inefficient governance results in corruption, corruption has been taken as a major indicator of governance in the following literature.

Impeded Economic Growth Rates Aggravates Poverty

There is evidence that the absence of economic growth (or negative growth) increases poverty. Quibria's study (2002) suggests that the burden of rapid economic retrenchment, such as was seen in Thailand and Indonesia, hurts the poor most heavily.

Dollar and Kraay (2002) of the World Bank Development Research Group studied a sample of 80 countries over four decades and showed that income of the lowest 20 percent of the population increases

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one for one with increases in per capita GDP. Moreover, using tests for directionality, they concluded that a 1 per cent increase in GDP actually causes a 1 per cent increase in the incomes of the poor.

Similarly, Ravallion and Chen (in Easterly, 2001: 13-14) examined 65 developing countries between 1981 and 1999. They found that the number of people below the poverty line of $1 per day was reduced in countries with positive economic growth. However, they concluded that "measures of inequality show no tendency to get either better or worse with economic growth."

In conclusion, these studies show conclusively that income rises with economic growth and vice versa. It should be noted that economic growth does not necessarily lead to *more equal* income distribution; an increase in income may benefit the better-off rather than bringing the poor out of poverty. Income distribution seems to be an important moderating factor in the relationship between economic growth and poverty reduction.

GOVERNANCE MODELS OF CORRUPTION

The governance model postulates that increased corruption reduces governance capacity, which, in turn, increases poverty conditions.

Kaufmann, Kraay and Pablo Zoido- Lobaton (1999) define governance as, "the traditions and institutions by which authority in a country is exercised. This includes (1) the process by which governments are selected, monitored and replaced, (2) the capacity of the government to effectively formulate and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them."

Corruption Degrades Governance

Johnston (2000) suggests that serious corruption threatens democracy and governance by weakening political institutions and mass participation, and by delaying and distorting the economic development needed to sustain democracy.

As government revenues decline through leakage brought on by corruption, public funds for poverty programs and programs to stimulate growth also become scarcer.

Gupta, Davoodi and Tiongson (2000) used regression analysis across a large sample of countries to assess an aggregate measure of education outcome and health status in a model that includes several corruption indices, per capita income, public spending on health care and education, and average years of education completed. The results supported the proposition that better health care and education outcomes are positively correlated with lower corruption. In particular, corruption is consistently correlated with higher school dropout rates and corruption is significantly correlated with higher levels of infant mortality and lower-birth weights of babies.

Gupta, Davoodi and Terme (1998) also found that corruption can lead to reduced social spending on health and education. Countries with higher corruption tend to have lower levels of social spending, regardless of level of development. Corruption lowers tax revenues, increases government operating costs, increases government spending for wages and reduces spending on operations and maintenance, and often biases government toward spending on higher education and tertiary health care (rather than basic education and primary health care).

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Impaired Governance Increases Poverty

Pioneering research on the relationship among corruption, governance and poverty has been conducted at the World Bank by the team of Kaufmann, Kraay and Zoido-Lobaton. Their studies suggest an association between good governance (with control of corruption as an important component) and poverty alleviation.

Kaufmann and Kraay (2002) found (i) better governance tends to yield higher per capita incomes, but (ii) higher per capita incomes tend to produce reduced governance capacity.

The effect of governance on corruption and poverty is illuminated by another World Bank study (2000a). The deterioration in governance discussed in this study was accompanied by an increase in both corruption and poverty. Thus, as seen earlier, increases in corruption tend to deteriorate governance practices, but the reverse holds true as well – reduction in governance capacity increases the opportunities for corruption.

Reduced Public Trust in Government Increases Vulnerability of the Poor

Corruption that reduces governance capacity also may inflict critical collateral damage: reduced public trust in government institutions. As trust, an important element of social capital, declines, research has shown that vulnerability of the poor increases as their economic productivity is affected.

Zak and Knack (1998) found that trust is higher in nations with stronger formal institutions for enforcing contracts and reducing corruption, and in nations with less polarized populations (as measured by income or land inequality, ethnic heterogeneity, and a subjective measure of the intensity of economic discrimination). They also showed that formal institutions and polarization appear to influence growth rates in part through their impacts on trust. For example, income inequality, land inequality, discrimination and corruption are associated with significantly lower growth rates, but the association of these variables with growth dramatically weakens when trust is controlled for.

Knack (1999) also looked at the effect of social capital on income inequality. His study has made regression of various indicators of social capital and trust against income data by quintile and found that higher scores on property rights measures were associated with declines in income inequality. Knack concludes that "social capital reduces poverty rates and improves – or at a minimum does not exacerbate – income inequality."

With the vast literature describing the causal relationships between the elements of good governance, corruption, economic growth, and poverty the study now delves into the empirical evidences from the eight SAARC countries over the past seven years.

OBJECTIVE OF THE STUDY

This paper concentrates on three major objectives to establish the various causes and effects of corruption (which is a result of weak governance) with respect to the country's economic output and state of poverty, which results in hunger. The employment to population ratio also has an important role to play in determining a country's social and economic well being. The principal objectives are

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1. To explore the trend in poverty, hunger, and inequality across the SAARC countries and to map the trend in GDP growth and governance indicators across countries over time as per the availability of data.
2. To analyze the impact of GDP per capita (PPP) and employment to population ratio on the country's hunger index over the period 1990-2012.
3. To study the impact of the six dimensions of governance on the country's GDP per capita (PPP).

DATA AND METHODOLOGY

The study is based completely on the World Bank data available on the gross domestic product (current US$) and the six dimensions of governance as given by the Worldwide Governance Indicators for the selected South Asian countries. The study covers eight SAARC countries namely Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Data on the governance indicators are available since 1996 biennially to 2002 after which annual data is available. In order to test the degree of causality of the governance indicators on the nation's GDP, a regression analysis is proposed. The model assumes that the governance indicators have a long term effect in determining the current value of GDP. Thus for the governance indicators one period lag has been taken. For example the governance indicators corresponding to the year 2012 are decisive in determining the GDP for the next year viz. 2013.

We have assumed a linear relationship between the variables with general Classical Linear Regression Model following the standard assumptions and Ordinary Least Squares technique is applied.

The six governance indicators on which the quantitative data is available are:

- Government Effectiveness (ge)
- Regulatory Quality (rq)
- Rule of Law (rl)
- Control of Corruption (cc)
- Voice and Accountability (va)
- Political Stability and Absence of Violence (psav)

These estimates of governance range from approximately minus 2.5 (weak) to plus 2.5 (strong) for the concerned governance indicator.

Since the estimates of governance are measured on a scale which has got such a narrow range, the dependent variable here which is the GDP per capita is normalized by taking the log of the actual GDP per capita (loggdppc) for the ease of parity. Hence the huge gap between the GDP per capita expressed in US $, and the dimensions of governance are minimized and are hence comparable.

The hunch is, if the country's GDP increases, the global hunger score should decline as increased income of the individuals is used to meet the expenses of food. Similarly, if people find more jobs, which results in increased income, the hunger score should be on a decline for all countries in general. In the first place, we measure the impact of employment growth rate and growing output on the growth rate of hunger index of the country. It is expected that if country's employment to population ratio (EMP_POP) goes up, the hunger score (GHI) is suppose to go down as fewer cases of hunger and inequality should be reported. The regression equation is

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$$log\left(GHI\right) \; = \; \beta_0 + \; \beta_1.log\left(GDPPCPPP\right) \; + \; \beta_2.log\left(EMP_POP\right) \; + \; u_t$$

The study aims at testing the significance and depth of association between GDP, employment and global hunger index. It is expected, that for developing countries, as the employed population ratio increases thereby resulting in greater money at dispose, the incidence of poverty, hunger and malnutrition should go down. The test statistic is

H_0: $\beta_1 = 0$, against the alternative hypothesis H_1: $\beta_1 < 0$

Similarly, H_0: $\beta_2 = 0$ against H_1: $\beta_2 < 0$. The coefficients are expected to be significant and having a negative sign denoting inverse relation with the explained variable (GHI)

Coming down to the governance indicators, we assume a linear relationship between the governance parameters and GDP growth as follows:

$$log\left(gdppc_{n+1}\right) \; = \; \alpha_0 + \alpha_1 * ge_n + \alpha_2 * rq_n + \alpha_3 * rl_n + \alpha_4 * cc_n + \alpha_5 * va_n + \alpha_6 * psav_{n\,+} u_t$$

This model is used to measure the impact of each of the governance parameters in determining the national product in the next period.

The recent rankings by the Transparency International on the Corruption Perception Index (CPI) in 2013 finds Bhutan (rank 31) as the least corrupt country among the other SAARC countries, followed by Sri Lanka (91), India (94), Nepal (116), Pakistan (127), Bangladesh(136) and Afghanistan (175) among 177 countries. Thus among the SAARC countries, Bhutan has the lowest incidence of poor governance in terms of control of corruption, political stability and absence of violence and government effectiveness. Although one may argue, that Bhutan is a very small country, landlocked on all sides and runs entirely on its strategic relationships with its neighboring countries, especially India; Sri Lanka among the major SAARC countries has the second lowest CPI rank[3].

SUMMARY STATISTICS

The summary statistics for the variables under study has been depicted in Table 2.

Figure 1 depicts the box plot diagram showing the lower quartile ($Q_{1)}$, median ($Q_{2)}$ and upper quartile (Q_3) for each of the six governance indicators. The lower and upper fences are shown by the lines bounding each of the box plots for each variable. The variable control of corruption has three outliers during the years under study for different countries. This does not signify any abnormality in the value of the index but shows that Bhutan has the best control of corruption and the index is highly positive implying good governance. The position of the median ($Q_{2)}$ signifies the nature of the distribution.

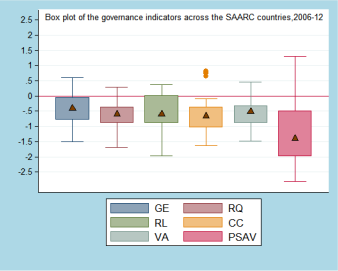
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Table 2. Descriptive statistics for the variables under study

Summary statistics of the variables under study for all SAARC countries,2006-12					
Variable	**No. of obs.**	**Mean**	**S.D.**	**Min.**	**Max**
GDPPC(PPP$)	56	1870.75	1803.29	373.59	6665.76
Government Effectiveness	56	-0.46	0.55	-1.49	0.616
Regulatory Quality	56	-0.68	0.45	-1.68	0.29
Rule of Law	56	-0.54	0.66	-1.95	0.372
Voice Accountability	56	-0.53	0.49	-1.48	0.45
Control of Corruption	56	-0.6	0.64	-1.63	0.82
Political stability & absence of violence	56	-1.22	1.12	-2.81	1.3

Source:Calculations based on World Bank Data on Governance, 2006-12

Figure 1. Pattern of the data on governance measured over the time period 2006- 12



EMPIRICAL RESULTS AND ESTIMATES

The South Asian countries have emerged to be one of the largest information communication technology (ICT) hubs, India being the most popular destination among SAARC countries besides Malaysia, China, Singapore, and Thailand in the region. The gradual dependence in the ICT sector on these countries is due to abundance of cheap skilled labor which makes the production cost effective besides several other infrastructural factors. Several researchers have emphasized on the growing importance of the various non-income measures of poverty which are very significant indicators of human well being. If a person earns enough to keep him above the respective poverty line, but is denied access to or is deprived of certain basic entitlements like proper healthcare facilities and education, then he is said to be suffer from poverty of opportunity. If there are not enough income-earning opportunities, then even if the state is well equipped with improved medical and better teaching facilities, the state would suffer from unemployment problem.

So the availability of opportunities for earning a healthy living is significant parameter for determining the well being of the people. Thus the poverty of opportunity index has been tabulated for the major four SAARC countries (Table 3). The table compares income poverty measured by the percentage of population living below the PPP $1.25 per day, with the measure of poverty estimated using POPI value for four South Asian countries. It shows that income poverty tells only a part f the story. The incidence of poverty for Pakistan as measured by POPI at 29.2 per cent is much higher than income poverty (US

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Table 3. Non-income measure of poverty in selected SAARC countries: Poverty of Opportunity Index (POPI)

Poverty of Opportunity in South Asia,2010				
	Bangladesh	**India**	**Pakistan**	**Sri Lanka**
Poverty of health opportunities (%)	16.3	13.4	11.6	7.8
Poverty of education opportunities (%)	39.6	32.7	41.3	9
Poverty of income opportunities (%)	43.3	32.7	22.6	7
Poverty of opportunity index (POPI) value (%)	35.2	27.8	29.2	7.8

Sources: UIS 2012, UNDP 2010c, UNDP 2012, World Bank 2012b,e and i and MHHDC staff computations

$1.25 per day) at 22.6 per cent. This implies that individuals living above the income poverty line may still suffer from deprivations in education, health and other living conditions. Countries like India that perform better with respect to poverty of education opportunities, have a lower incidence of poverty as measured by POPI, despite suffering from a greater incidence of income poverty compared to Pakistan.

The next section discusses the decadal trend in the Global Hunger Index for selected South Asian countries over the recent past (Table 4). The data on sub-components of the GHI were not available for all the SAARC countries; hence, we have taken few other South Asian countries. On the scale of 0 to 100, where 0 indicates no reported cases of undernourishment, underweight children and underweight child mortality under five, the countries are ranked according to their hunger scores. So the lower the index, the better it is. From the statistics, it is evident that among the selected South Asian countries, which were chosen based on data availability, Bangladesh, India and Nepal had their GHI score nearing to 30, which was quite high, compared to their neighboring counterparts. China, which also has a huge population as India scored strikingly, just 13 on the GHI scale in 1990 when India and Bangladesh had a GHI more than twice as that of China. Economies of Malaysia and Mauritius which are not as large as that of India or China scored the lowest among all the countries on GHI in 1990. The pace of reduction in the GHI parameters has been fastest in Thailand followed by China. Among the booming developing economies China records the fastest reduction in hunger index. India has been one of the struggling

Table 4. Performance of selected South Asian countries in terms of Global Hunger Index since 1990

2013 Global Hunger Index of selected South Asian Countries						
Country	**1990 (with data from 1988-92)**	**1995 (with data from 1993-97)**	**2000 (with data from 1998-2002)**	**2005 (with data from 2003-2007)**	**2013 (with data from 2008-12)**	**Improvement Index Ratio of GHI_{1990} to GHI_{2013}**
Bangladesh	36.7	35.1	24.0	20.2	19.4	1.89
China	13.0	10.4	8.4	6.7	5.5	2.36
India	32.6	27.1	24.8	24.0	21.3	1.53
Malaysia	9.5	7.1	6.9	5.8	5.5	1.72
Mauritius	8.5	7.6	6.5	5.9	5.2	1.63
Nepal	28.0	27.3	25.3	22.3	17.3	1.61
Pakistan	25.9	22.8	21.6	21.2	19.3	1.34
Sri Lanka	22.3	20.7	17.8	16.9	15.6	1.42
Thailand	21.3	17.1	10.2	6.6	5.8	3.67

Source: IFPRI 2013, author's calculation

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economies in the region to reduce hunger and undernourishment given its huge territorial extent and population pressure.

In the next section (Table 5), based on the most recently available data on consumption expenditure, various income measures of poverty have been tabulated. The reference poverty line is the international poverty line of US$38 PPP per month. From the table, we find that of all the SAARC countries except Myanmar (data unavailable), Bangladesh tops the list of poverty measured in terms poverty head count ratio, poverty gap ratio and squared poverty gap ratio. Poverty head count ratio simply gives the proportion of the population living below the reference poverty line. Poverty gap ratio gives the extent of inequality in consumption expenditure or income. The squared poverty gap ratio gives the strength or intensity of the poverty measured in terms of inequality. Thus in terms of income poverty, Bangladesh has the highest amount of consumption (income) deprivations followed by India and Nepal. The population proportion living below the international poverty line is highest in Bangladesh.

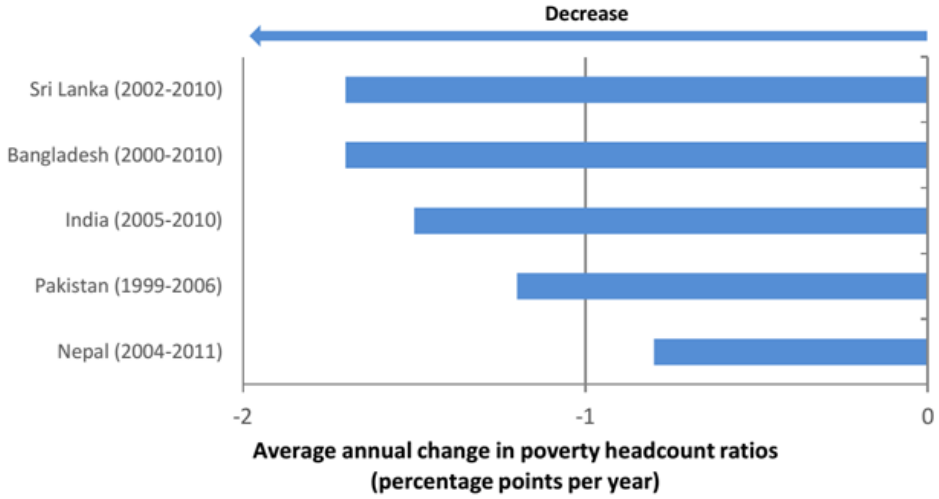
The following figure (Figure 2) shows the average annual change in poverty for the major SAARC countries on which the data is available. It is seen that all the selected South Asian countries have un-

Table 5. Various consumption measures of poverty for SAARC countries except Afghanistan

Country	Pov.line (PPP$/mon.)	Mean C ($)	Headcount (%)	Pov. Gap (%)	Squared pov. gap	Population (mil.)	Survey Year
Bangladesh	38	51.67	43.25	11.17	3.84	148.69	2010
Bhutan	38	137.82	4.42	0.66	0.16	0.73	interpolated
India*	38	60.39	32.67	7.49	2.5	1,224.62	weighted
India--Rural	38	54.96	34.28	7.53	2.46	856.01	2009.5
India--Urban	38	73.01	28.93	7.39	2.61	368.61	2009.5
Maldives	38	213.14	0.23	0.02	0	0.32	2004
Nepal	38	68.06	24.82	5.55	1.76	29.96	2010.2
Pakistan	38	73.39	13.47	1.9	0.43	173.59	2007.5
Sri Lanka	38	117.66	4.11	0.65	0.18	20.86	2009.5

Source: PovcalNet: the on-line tool for poverty measurement developed by the Development Research Group of the World Bank

Figure 2. Average annual change in poverty ratios for the selected SAARC countries



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dergone a significant decrease in the poverty head count ratio over the past decade. The highest rate of decline in poverty head count ratio has been recorded by Sri Lanka and Bangladesh followed by India.

The following chart (Figure 3) shows the quintile distribution of the total consumption expenditure which is taken as a proxy of income.

The bottom(poorest) 20 per cent of the population contribute just about 8 per cent to the total national income while the top(richest) 20 per cent of the population contribute about 40 per cent to the total national income in general across all the SAARC countries. This shows that there is a wide gap between the rich and the poor in terms of the distribution of the income generated.

In the following figure (Figure 4), the poverty head count ratios for the selected South Asian countries measured at the international poverty lines have been estimated for the year 2010 at PPP.

Figure 3. Quintile distribution of the total income generated: Evidence on persistent Inequality

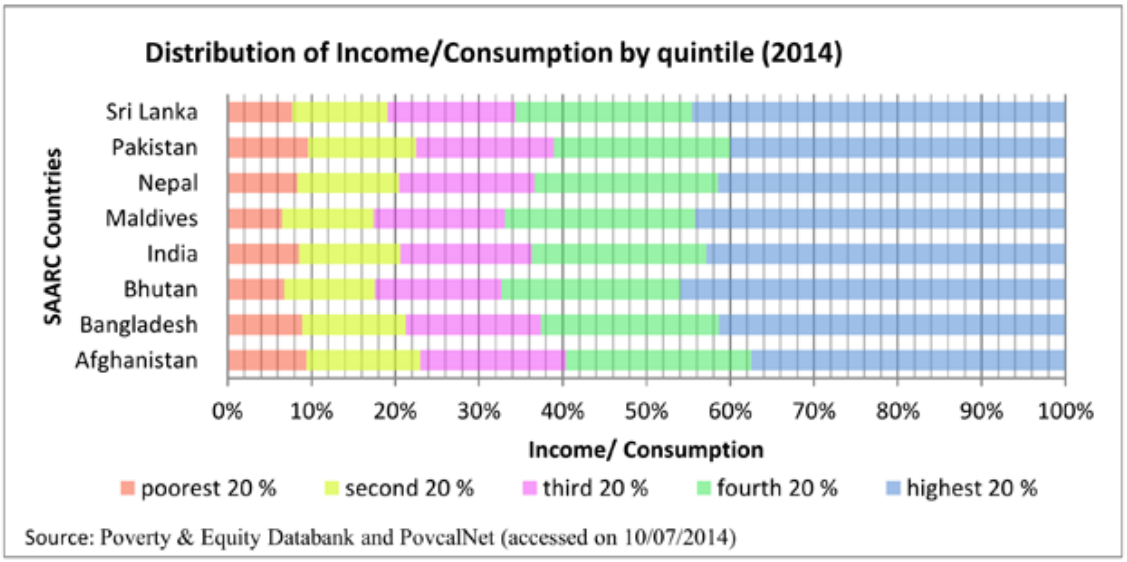
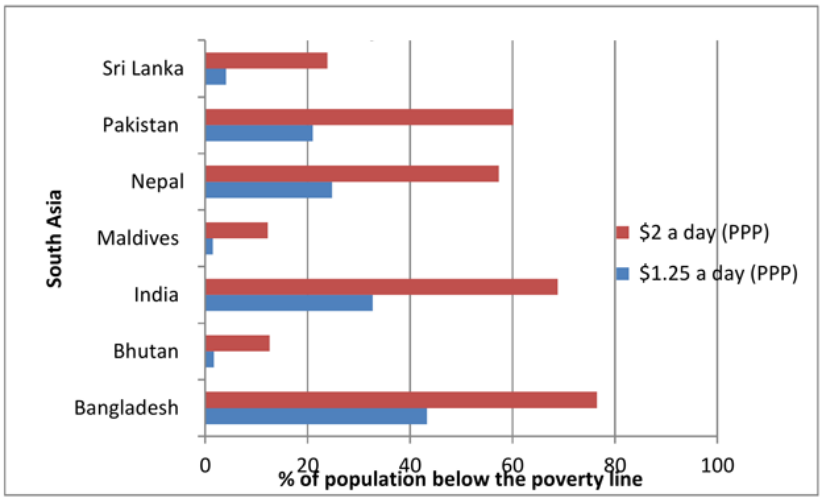


Figure 4. Poverty head count ratio for the south Asian countries
Source: *Poverty & Equity Databank and PovcalNet*



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When measured with respect to the $2 a day (PPP) as the international poverty line, about 70 per cent of the population lies below the poverty line for the countries like India and Bangladesh. Bhutan and Maldives report the lowest incidence of income or consumption poverty at both the $2 and $1.25 daily poverty line (PPP).Pakistan fares better than India and Bangladesh in terms of the number of people living below the poverty line.

Nonetheless, the various non-income parameters of poverty measurement are very significant indicators of human development and well being. Such parameters like nutrition status of the children, their access to the basic entitlements like primary education, shelter, food, income earning opportunities etc. are important as well. Hence we look at the recent trend in the human development index for the selected South Asian countries (Table 6). The Human Development indices for the countries have been tabulated and the changes in the ranks indicate whether there has been any improvement in the human development indicators.

Except Afghanistan, which scores abysmally low in the human development index, all other selected South Asian countries which are members of the SAARC fare moderately in terms of human development index. In the latest two years as available with the UNDP, we find that Sri Lanka and Maldives have improved their ranks whereas India and Afghanistan have gone down in the international ranking although all the countries have got a better HDI in 2012 than in 2011. The annual rate of change clearly shows that the quality of life in Afghanistan has degraded remarkably and thus the HDI has gone down by about 6 per cent in a year. Among other SAARC countries, Sri Lanka, Bangladesh and Bhutan have improved on the HDI by about 3 per cent over the previous year. India, Nepal and Maldives are the strugglers in improving the HDI with a marginal 1 per cent improvement in HDI.

From the chart (Figure 5), it is evident that among all the SAARC countries, Maldives stands alone as the topmost generator of GDP per capita over the past 13 years. The country's high GDP per capita is mainly attributed to the growing popularity of the country over the recent years as a popular holiday destination from all over the world. The tourism industry generates the major revenue for the country with small territorial bound and less dense population compared to its other SAARC counterparts. The GDP per capita of Maldives is about five times as that of India. Among the other SAARC countries, Sri

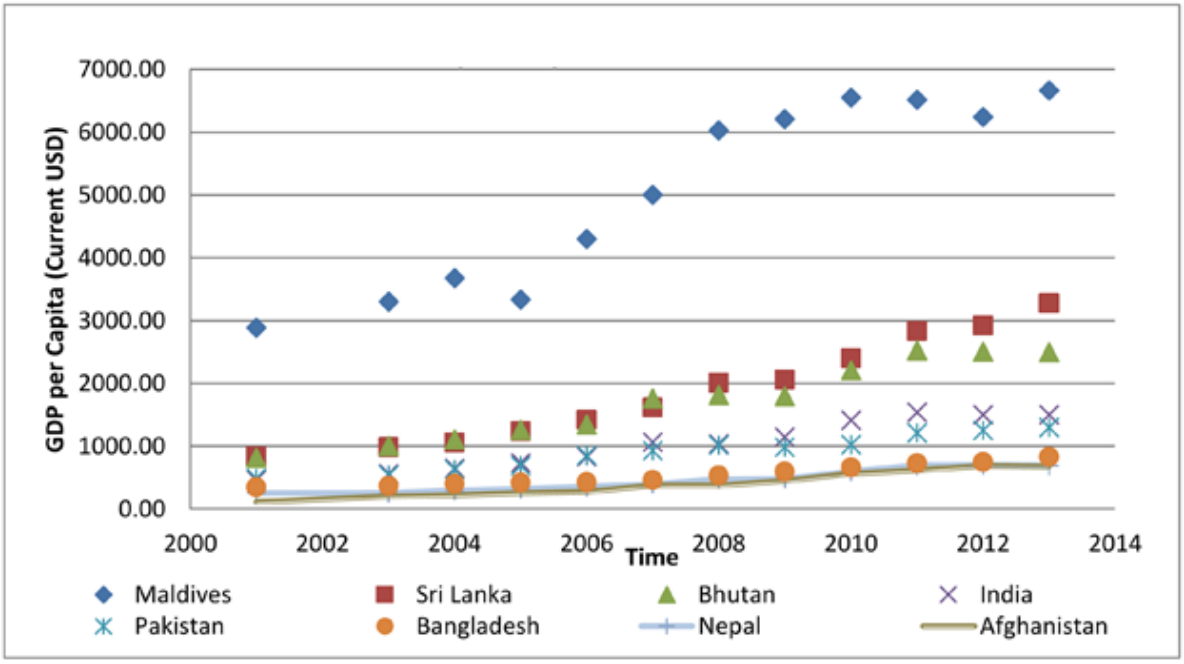
Table 6. Human development index over the past two consecutive years in the south Asian countries

Human Development Index (HDI) for South Asia,2011-12					
	2011		**2012**		**% Change in HDI**
	HDI_2011	Rank	HDI_2012	Rank	
India	0.547	134	0.554	136	1.28
Pakistan	0.504	145	0.515	146	2.18
Bangladesh	0.5	146	0.515	146	3.00
Afghanistan	0.398	172	0.374	175	-6.03
Nepal	0.458	157	0.463	157	1.09
Sri Lanka	0.691	97	0.715	92	3.47
Bhutan	0.522	141	0.538	140	3.07
Maldives	0.661	109	0.668	104	1.06
South Asia	0.535	-	0.543	-	1.50

Source: UNDP 2011, 2012

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Figure 5. Trend in GDP per capita across the SAARC countries
Source: World Bank Data,2001-13



Lankan economy is the second highest generator of GDP followed by Bhutan, India and Pakistan. Over the past six years, the growth rate of GDP seems to have accelerated in nearly all the countries but the progress is shooting in Maldives.

In this section, we show the trend in the six indicators of governance as listed by the World Bank across the eight SAARC countries since 2000. The estimates of Governance are measured on a scale ranging from - 2.5 for the worst performance to + 2.5 for the best performance in terms of the concerned governance indicator.

Among the SAARC countries, except India all other member countries exhibit a negative estimate of the indicator of voice and accountability which implies that Indians irrespective of their caste, gender and ethnic background exercise the freedom of expression, freedom of speech, the right to participate in the selection of the government and standing against the motion. Among the other countries, Afghanistan fares worst where the people don't exercise their freedom to express and to participate in the country's decision making process. Countries like Bhutan and Pakistan has shown an improvement in terms of the said indicator (Figure 6).

In terms of the government's effectiveness, it can be seen that countries like Bhutan and Maldives, where the index of government effectiveness was high during 2000 gradually decreased and converged in 2004 with that of India which maintained a steady index of about -0.15 over the past 12 years. Afghanistan over years has managed to fare slightly better than in terms of the index from -2.4 in 2000 showing ineffective government which improved gradually and stabilized around -1.5 from 2006 and onwards. This can be well related to the crisis that Afghanistan has been facing after the war (Figure 7).

The regulatory quality of a Government captures the perception of the ability of the government to implement and promote policies featuring private sector development.

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Figure 6. Voice and accountability in SAARC countries, 2000-2012
Source: World Bank Data,2000-12

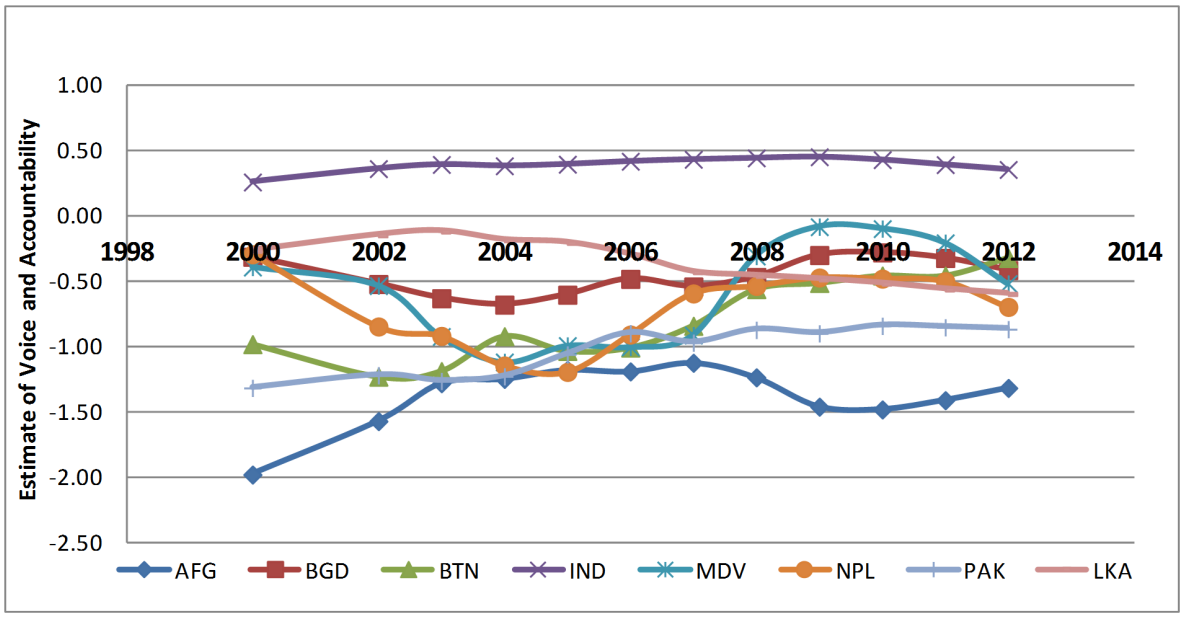
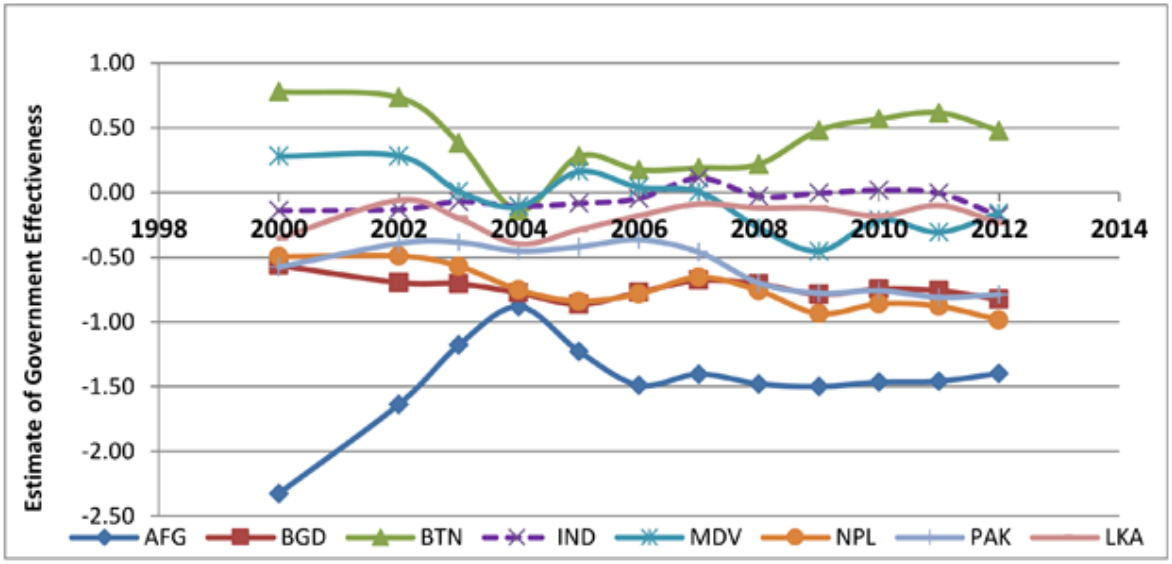


Figure 7. Government effectiveness in SAARC countries, 2000-2012
Source: World Bank Data,2000-12



Maldives, besides Sri Lanka, was the only country among the SAARC countries to have positive index of regulatory quality (Figure 8) in early 2000s which later deteriorated and signifies a weak state of governance in terms of the said indicator. As usual, war in Afghanistan has left the country devastated which has resulted in weak governance catered by poor execution of rule of law thereby resulting in awful regulatory quality of the government (Figure 9).

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Figure 8. Regulatory quality in SAARC countries, 2000-2012
Source: World Bank Data,2001-12

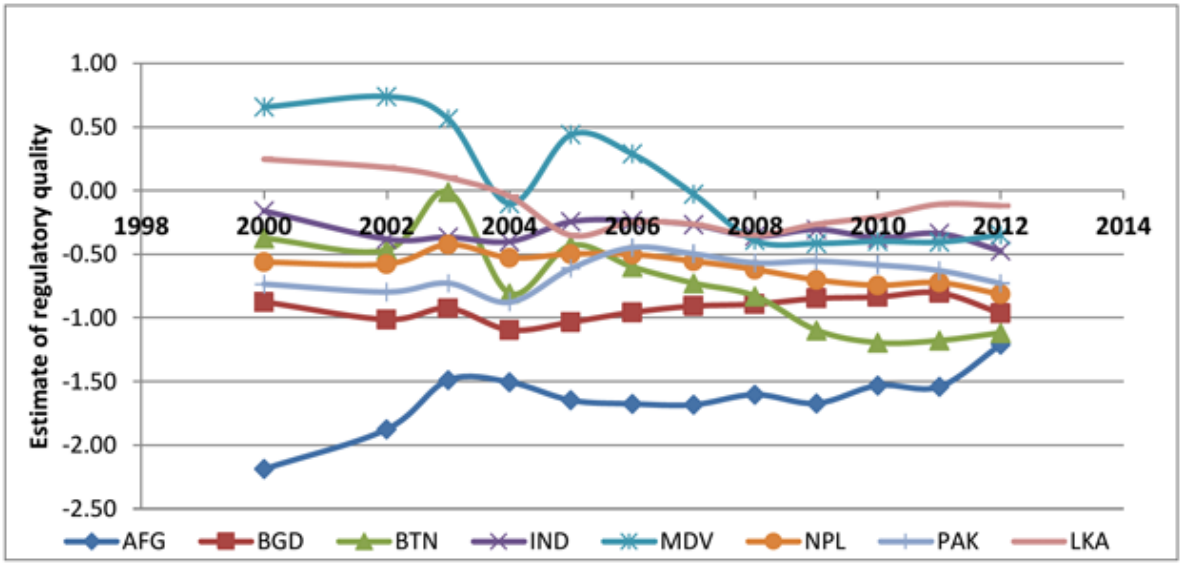
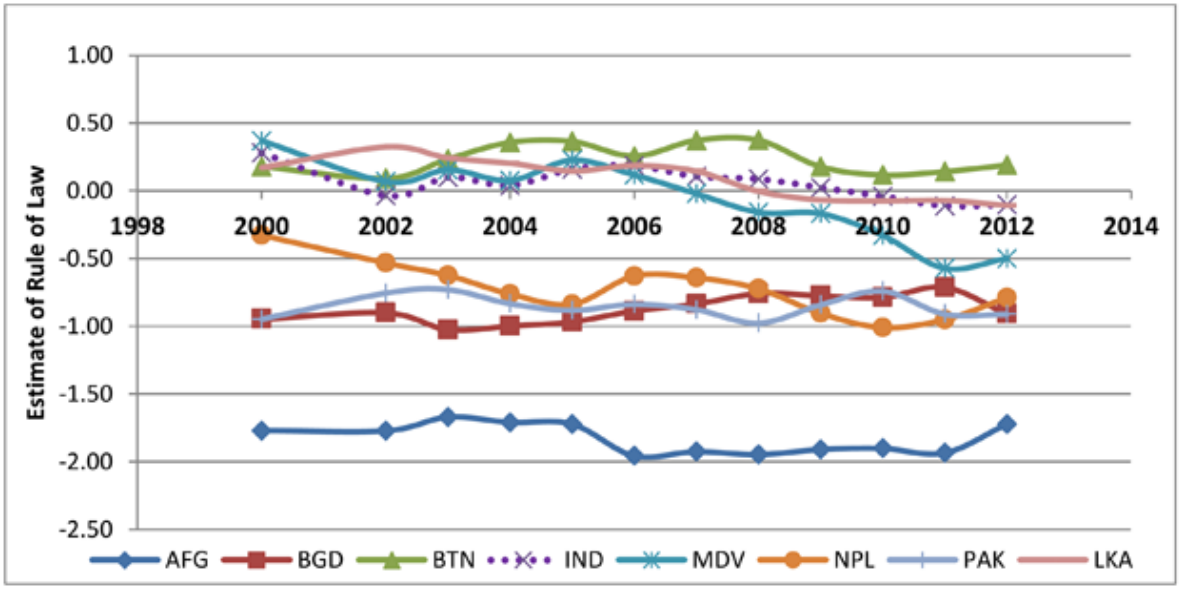


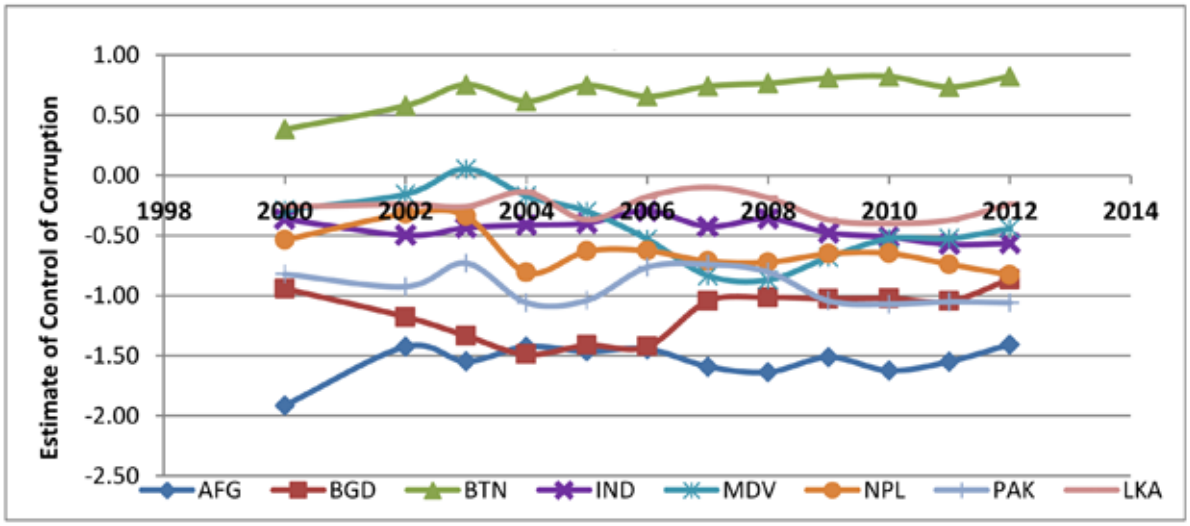
Figure 9. Rule of law in SAARC countries, 2000-2012
Source: World Bank Data,2000-12



The trend in control of corruption has been plotted in the following figure (Figure 10) which shows that only Bhutan among the SAARC countries has a positive estimate of corruption over the years of study and the index has been improving moderately over years. All other countries managed to remain below the benchmark of fair governance.

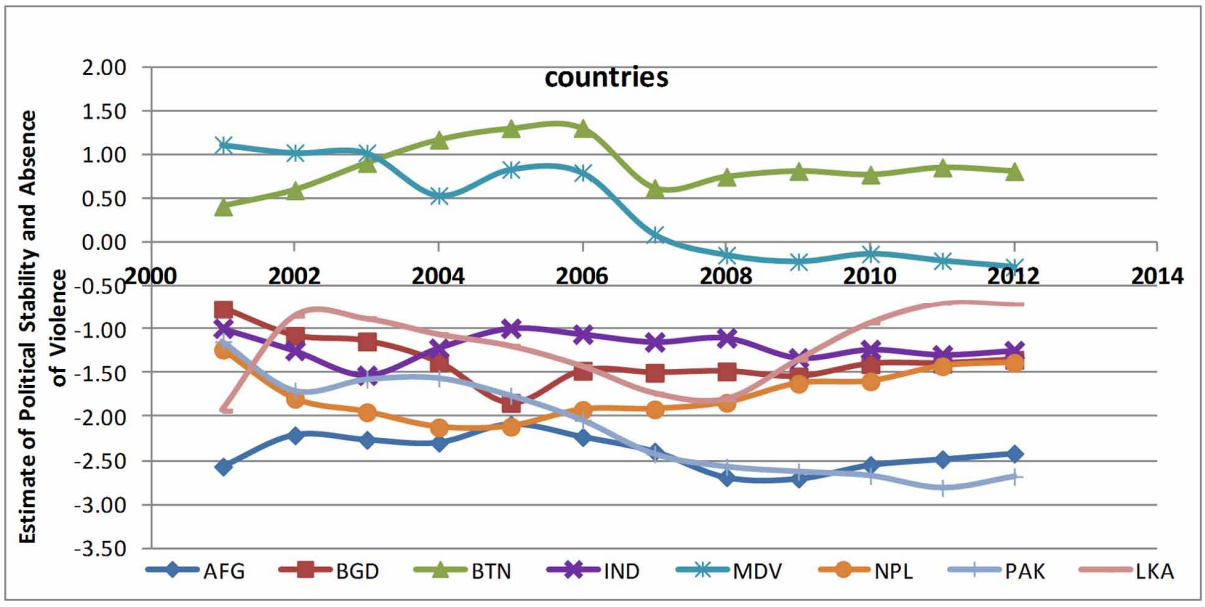
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Figure 10. Control of corruption in SAARC countries, 2000-2012
Source: World Bank Data,2000-12



In terms of political stability and absence of violence (Figure 11), only Maldives and Bhutan reported to be politically stable since 2001 which has declined in 2007 but has stabilized since then. But other SAARC countries have consistently been politically unstable and violent featuring the instances of weak governance in these countries which are dense in population with varied ethnic and religious backgrounds.

Figure 11. Political stability and absence of violence in SAARC countries, 2000-2012
Source: World Bank Data,2001-12



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Summary of Results

In this section, which simply analyses the trend in GDP per capita across countries over the last twelve years shows that all SAARC countries have experienced a rise in GDP per capita but Maldives has been doing exceptionally well among all its counterparts with a GDP per capita which is more than five times as that of India. In terms of the governance indicators, we find that Afghanistan reports very weak state of governance as measured by all six indicators, whereas Bhutan reports positive index of governance like control of corruption, rule of law, government effectiveness, and political stability. To our surprise, the regulatory quality and the freedom of people to raise their voices against the motion is quite poor in the said country. Maldives continues to be one of the popular holiday destinations in the South East Asia due to its consistent political stability and absence of violence and terrorism. This has a huge positive impact on the GDP of the country at large. All other countries like India, Nepal, Bangladesh, Sri Lanka and Pakistan have weak indices of governance with India as the only country among its counterparts which has a good estimate of voice and accountability pertaining to the freedom of speech, freedom to move against the motion and freedom of media.

This section illustrates impact of GDP per capita and the employment population ratio on the global hunger index (Table 7). The coefficient of log(GDPPCPPP) being -0.514 implies that Global Hunger Index is inelastic with rising GDP per capita measured at purchasing power parity. If GDP per capita rises by 1 per cent, GHI decreases by 0.51 per cent which is very obvious. Hunger and undernourish-

Table 7. Panel regression analysis: Measuring the impact of GDP per capita (PPP) and employment to population ratio on the global hunger index for selected SAARC countries

Dependent Variable: LOG(GHI) **Method: Panel Least Squares** **Sample: 1990 1995 2000 2005 2012** **Periods included: 5** **Cross-sections included: 5 (India Pakistan Bangladesh Sri Lanka Nepal)** **Total panel (balanced) observations: 25**				
$\log(\mathbf{GHI}) = \beta_0 + \beta_1.\log(\mathbf{GDPPCPPP}) + \beta_2.\log(\mathbf{EMP_POP}) + u_t$				
	Coefficient	**Std. Error**	**t-Statistic**	**Prob.**
log(GDPPCPPP)	β_1 = -0.514	0.141	-3.629	0.001
log(EMP_POP)	β_2 = -0.723	0.343	-2.105	0.046
Constant	β_0=7.0333	1.637	4.295	0.000
R-squared	0.448	Mean dependent var[log(GHI)]		3.136
Adjusted R-squared	0.397	S.D. dependent var[log(GHI)]		0.218
S.E. of regression	0.169	AIC		-0.600
Sum squared residual	0.631	SBC		-0.453
Log likelihood	10.501	HQ criterion		-0.559
F-statistic	8.930	DW statistics		0.726
Prob(F-statistic)	0.001			

Source: Calculated from secondary data available from IFPRI, World Bank and ADB, 1990-2012

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ment ought to decline with rising income or GDP per capita. Again, the coefficient of log (EMP_POP) is -0.723 implies that GHI is highly inelastic with rising employment-population ratio. If employment to population ratio increases by 1 per cent, GHI decreases by 0.72 per cent which makes sense. As employment increases, income goes up; hence households get the required food for their survival and also the basic health services. Thus the incidence of child mortality due to undernourishment and prevalence of underweight children become very rare with increasing employment opportunities.

Thus we can arrive at a conclusion that over the years from 1990, for the five SAARC countries viz. Bangladesh, Nepal, Pakistan, India and Sri Lanka, data for which were available for all the parameters under our consideration, the incidence of hunger and hence poverty has been declining over years from 1990 to 2012 with rising GDP per capita (PPP) and employment. The other three SAARC countries could not be included in the analysis due to unavailability of data for the specified years and the variables of concern.

Table 8 tabulates the results of the panel regression which has been based on data pertaining to the per capita GDP of the selected South Asian countries and the worldwide governance indicators. A balanced panel is prepared consisting of 8 cross-sections over the years 2007-13. Thus we have 56 observations in all. The dependent variable is the log of GDP per capita and the six dimensions of governance are the independent variables respectively. Besides these, there are certain other explanatory variables which are important determinants of the national output.

From the analysis, it is found that good government effectiveness, regulatory quality and a stable political situation with absence of violence stimulate the GDP per capita to a large extent. On the other hand, the ability of the people to raise their voice, the government's action to control corruption and the rule of law are seen to be having a detrimental effect on the per capita GDP of the SAARC countries. The most significant variable affecting the growth rate of GDP in the next period is government effectiveness with a coefficient of 1.27, a high 't' value at 94 per cent level of significance. Similarly, regulatory

Table 8. Panel regression for eight SAARC countries, 2007-13

$$\log\left(\mathbf{gdppc}_{n+1}\right) = \alpha_0 + \alpha_1 * \mathbf{ge}_n + \alpha_2 * \mathbf{rq}_n + \alpha_3 * \mathbf{rl}_n + \alpha_4 * \mathbf{cc}_n + \alpha_5 * \mathbf{va}_n + \alpha_6 * \mathbf{psav}_n$$

Independent Variable	Coefficient	Standard Error	t statistic	P>t
ge	1.273	0.446	2.85	0.006
rq	0.936	0.309	3.03	0.004
rl	-0.664	0.487	-1.36	0.179
cc	-0.481	0.311	-1.55	0.128
va	-0.285	0.201	-1.42	0.161
psav	0.440	0.108	4.08	0.000
constant	8.128	0.230	35.39	0.000
Number of observations		56	R-squared	0.6907
F(6, 49)		18.23	Adj R-squared	0.6528
Prob > F		0	Root MSE	0.48632

Source: Calculations based on World Bank Data, 2006-13

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quality and political stability and absence of violence were also found to be positively affecting the GDP growth at 96 per cent and 100 per cent level of significance respectively. The model fits well as the R^2 is moderately high for 56 observations only. The rest of the indicators were moderately significant in augmenting the SAARC countries' economic output. However, the dynamics may vary from country to country depending on the country's internal situations, the economic and political situation of the country.

Thus, from the analysis, it is clear, that counties with poor state of governance have low income. In terms of the indicator of government effectiveness, only Bhutan has a positive estimate of governance and a higher income (2013). On the other hand, exceptions are also there in countries like Maldives and Sri Lanka where in spite of having a poor state of government effectiveness, the GDP per capita is even higher than that of Bhutan which showed moderately good government effectiveness in 2013. Thus certain indicators act as important dimension of governance for certain countries and they cannot be generalized for all the countries across the entire time period of study.

CONCLUSION

To sum up, the growing rate of GDP per capita measured at purchasing power parity is found to have a significant negative impact on the Global Hunger Index of the SAARC countries of concern. As the GDP improves, the instances of poverty, hunger and malnourishment reported keeps on declining. The employment to population ratio was found to be having significant impact on the GDP per capita. As the country's employment to population ratio goes up, citizens are empowered with income, the instances of poverty, hunger and malnutrition show significant reduction.

To conclude, the developing nations with huge prospects for development must focus on administering the policy measures efficiently by effective and strict execution of the rule of law thereby acting as a facilitator for market transactions and social development. The respective governments must keep strict vigilance to check the rent seeking behavior among the public servants in developing nations who are very susceptible to taking bribes from the vulnerable low income vendors and beneficiaries which when exercised, plunge them into darker dens of poverty.

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KEY WORDS AND DEFINITIONS

Corruption: Corruption is the misuse of *entrusted* power (by heritage, education, marriage, election, appointment or whatever else) for private gain.

Developing Countries: Developing country is a term generally used to describe a nation with a low level of material well-being (not to be confused with third world countries). Since no single definition of the term *developed country* is recognized internationally, the levels of development may vary widely within so-called developing countries. Some developing countries have high average standards of living. Countries with more advanced economies than other developing nations, but which have not yet fully demonstrated the signs of a developed country, are categorized under the term *newly industrialized countries*.

Economic Development: The act or process of growing or causing something to grow or become larger or more advanced

Economic Inequality: Economic inequality (also described as the gap between rich and poor, income inequality, wealth disparity, wealth and income differences or wealth gap) is the state of affairs in which assets, wealth, or income are distributed unequally among individuals in a group, among groups in a population, or among countries. The issue of economic inequality can implicate notions of equity, equality of outcome, and equality of opportunity.

Governance: The way that a city, company, etc. is controlled by the people who run it.

Hunger: It is a craving, desire, or urgent need for food and an uneasy sensation occasioned normally by the lack of food and resulting directly from stimulation of the sensory nerves of the stomach by the contraction and churning movement of the empty stomach.

SAARC Countries: The South Asian Association for Regional Cooperation (SAARC) is an economic and geopolitical organization of eight countries that are primarily located in South Asia.

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ENDNOTES

[1] A Report titled " SAARC Regional Poverty Profile", 2013.

[2] Report titled 'Human Development in South Asia 2012: Governance for People's Empowerment, pp.36 (http://mhhdc.org/wp-content/themes/mhdc/reports/HDSA-2012.pdf)

[3] http://cpi.transparency.org/cpi2013/results/#myAnchor1

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Chapter 45
Games for Social Change:
Review of the Potential for Multi Player Online Gaming to Facilitate the Emergence and Growth of Progressive Movements for Social Change Within Youth and Community Work

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ABSTRACT

Building on the use of the internet and social media as sites for activism, this paper highlights the emergence of political activism and collective protest in the online gaming environment. Referencing social movement theory and the rapidly evolving capacity of multiplayer online games to facilitate the development of strong group identities and real-time, real-world collaboration, the paper explores the potential of such games to create a space and a mechanism for enabling the emergence of movements for social change. Highlighting the growing number of social activist games designers, building values of equality and social justice into their gameplay, the paper draws an epistemological link between the work of these "conscientious designers" and the process of Conscientization within youth and community work inspired by the critical analysis of political activists such as Paulo Freire and Augusto Boal.

INTRODUCTION

The rationale informing this review has emerged from the author's background as a Community Development academic and practitioner committed to addressing social exclusion among marginalised groups. The author has a particular interest in creative approaches to youth engagement and has concerns about the limited and contracting public space for critical discourse and mobilisation around issues of social justice. In this context the potential of multiplayer online gaming to provide such a space is worth exploring.

The objective of this review is to explore the extent to which there exists an ontological and epistemological overlap between those researching and developing digital games and those researching and engaged in critical social change through community development. The proposition informing this paper

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is that should such shared values and vision exist to a significant extent across these two fields, there is the potential to build collaboration harnessing the power of games to the principals of community development. Such a collaboration could open up a new medium for undertaking community work and a new arena in which games can play a direct and considered role in driving positive social change.

The paper opens with a critique of the declining space for critical public discourse in the face of increased managerialism within the community and voluntary sector and posits that the internet provides an effective mechanics to facilitate such discourse and that Multiplayer online Games may provide a New Public Space in which progressive movements for social change can emerge. In order to assess the potential of digital games to facilitate the emergence and growth of such movements this paper goes on to present an overview of The Scale and the Scope of Online Gaming in terms of technical capabilities, applications and the structure of the digital gaming sector. This juxtaposition between the gradual decline in realworld spaces and the rapid growth in virtual spaces for interaction and discourse, especially among people, provides the social context informing this review.

The next issue to be explored is the nature of the space for critical discourse in the digital gaming sector and the lessons which can be learned from social activism within other media. The paper highlights the emergence of critical, or social impact gaming in response to the perceived and real hegemony and misogamy inherent in many Digital Games. Having presented Games for Social Change, as a movement within contemporary games development, informed by progressive social values, the paper examines the evolution, impact and limitations of Cyber Activism in the more conventional environments of blogs, websites and social media. This is important in mapping the potential of multiplayer online computer games, as it highlights the factors influencing the impact of those media and acknowledges the existence of two opposing camps with regard to the potential of electronic activism as a means of advocating for social change. The principal criticisms being levelled at cyber activism, highlight the superfluous nature of much of the engagement with critical issues and the limited meaningful interaction that such media facilitates between activists.

Research reviewed on social movement theory acknowledges the importance of shared values, identities, collective action, and sustained engagement in the emergence of movements for social change, characteristics which, as outlined, are underdeveloped in many digital media used by activists. The research reviewed would suggest that if gaming is to build on the achievements of conventional cyber activism then its capacity to generate Games-based Identity, Community and Solidarity may prove its greatest asset. This capacity for interaction inherent in multiplayer online games, coupled with the ability to design games informed by themes of social justice, establishes a clear potential for the use of this medium by social activists. Indeed simulation and role play games have been used for many years in community development as a method of undertaking critical social education, This ideological link between the epistemologies informing progressive gaming with those in critical community work provides the common ground upon which collaborations may be built.

While the main focus of this review has been the establishment of common ideological ground between progressive games designers and community activists in order to highlight the potential of multiplayer online games as a space for critical social discourse and the emergence of social movements, perhaps the most important characteristics of critical social education is that it encourages people to act to confront the causes of oppression. This presents the challenge addressed in the closing section of this review, that is ensuring that Real World Outcomes emerge from using ‘virtual world’ media. While the literature would indicate mixed results in this regard it does indicate that there are mechanics which can be designed into games in order to maximise the potential for action.

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This review falls within a broader piece of research being undertaken by the author as part of Doctoral Research in Applied Social Sciences at University College Cork. The research, which is a collaboration with international development NGOs, seeks to define the characteristics of physical games used in critical Development Education practice and to investigate the extent to which these characteristics can be maintained within a digital gaming environment. The author is also lead investigator on a European project to facilitate young people develop digital games for use in youth work. Both of these require bringing Games Designers together with Development Practitioners in order to negotiate a shared framework from which they can collaborate. This review seeks to establish the common ground upon which they can stand solidly together to begin to construct such a framework.

New Public Space: Multiplayer Online Games as a New Public Spaces for Critical Discourse and Activism in Youth Work and Community Development.

In critiquing the status of contemporary Youth and Community Development in Ireland, O' Byrne (2012) highlights the general thrust of government policy towards the sector as being informed by neoliberal principles. She cites Meade and O Donovan (2002) as expressing concern that by the early 2000s youth work and community development, (despite the rhetoric), had lost much of its social change ethos. From 2008 onwards there has been; a centralising of control of the community development and youth sectors in Ireland; a reduction in the number and diversity of community development groups and programmes; an imposition of a managerialist financing and reporting regime; a contraction in funding and the abolition of national research and advocacy groups such as Combat Poverty and The Equality Authority. All of these measures have contributed to a significant contraction in the space that state supported youth and community development organisations have been able to provide for critical discourse and community based activism. In his analysis of participation in public policy, McInerney (2013) is led to suspect that the space for public participation in decision making is likely to contract even further in the coming years. In her critique of the emergence of the 'Claiming Our Future' movement in Ireland Murphy (2013) highlights the importance of, and the challenge in, nurturing public spaces where people can "deliberate and develop their political imaginations" Murphy (2013, pp. 122).

Duncombe (2007) posits that the conservative right in America has, throughout the 1990s and 2000s, manufactured cultural spectacles through the media and popular entertainment, which celebrate and reinforce their political position and defines popular discourse on social issues in the US. He points to the recent emergence of anti-capitalist counter cultural 'Sites of Resistance' around open-sourced-software and free exchange and collaborative websites. These are, he claims, opening up space for political activism and exploration. Duncombe (2007, pp. 73), citing the example of MoveOn.org where gaming platforms have been integrated with social media in order to mobilise around progressive political issues. Describing this as a promising start, he challenges progressive political movements to embrace a politics that recognises the allure of the creativity and spectacle in harnessing the power of rebellion, "It is not just winning or losing that matters but how the game is played," Duncombe (2007, pp. 75). Duncombe proposes that in the absence of a progressive ideological foundation such initiatives are often usurped by corporate interests.

In 2006 Mary Flanagan predicted that the popularity of computer games would lead to a cultural revolution. Citing Poole (2000) she asserted that: "Computer artefacts, over cinema, television, literature, and sport, are at the forefront of defining culture in the West," Flanagan (2006, pp. 495). Flanagan contended that this position of cultural dominance is overwhelming, affirming, and is affirmed by, capitalism through the game play itself and the commercial structure and financial dynamic of the industry. In a call to subversive action, Flanagan recalls the tradition of artistic intervention in public spaces intended to

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radicalise and mobilise for social change. She defines second life and shared multiplayer games as public space and called on games designers to shift the authority and power in games toward non-hierarchical and participatory relations, thus challenging the social reality upon which the hegemony within gaming and broader society depends. Flanagan (2006). Given the potential that Digital Games present as a medium for critical public discourse it is important to look at its scale and technical capabilities.

The Scale and the Scope of Online Gaming.

The growth in participation in gaming over the past twenty years and the interactive capabilities that online gaming provides is nothing short of revolutionary. Jane McGonigal documents the 183 million gamers in the US spending on average 13 hours per week on their PCs, consoles or smartphones. This figure is mirrored across the developed, and indeed the developing world, with 100 million active gamers in Europe and twice that number in China, McGonigal (2011). A recent European Commission report highlights the fact that while 90 per cent of European 11-14 year olds play online games, the level of participation by the overall 11+ population stands at 35% in the UK, France 46%, Germany 25% and Spain 29% C, Centeno. (2013).

In parallel with this explosion in popular engagement, there has been a number of technological paradigm shifts in gaming which have seen the genre move from the single player arcade style games of the 1980s, to mobile and massive multiplayer online role play games (MMORPG). Such MMORPGs typically involve players embarking on quests, or missions within a virtual world and there encountering puzzles, obstacles and opponents that need to be overcome. These games have the added dimension that players may construct an online persona for themselves from a menu of characteristics and they often join a clan or a tribe with whom they collaborate. Such collaboration can be enhanced by text communication or by audio chat between otherwise anonymous players. In the course of play, players are typically encouraged to interact with other clans or individual players in a confrontational or collaborative mode. McGonigal points out that, “every single day, gamers worldwide spend a collective 30 million hours working on world of warcraft (the largest global MMORPG)” McGonigal (2011, pp. 60). According to Pearce (2009) this intensive, prolonged, interaction can generate a strong sense of community and collective identity.

The second significant technological advance in the hardware of the gaming industry has been in the technical capabilities and proliferation of hand held mobile devices. This has facilitated the emergence of real time interactive games which link with players’ locations and social media profiles. Games such as Farmville and Candy Crush, mimic real-world work tasks and accomplishments and integrate collaboration and interaction with friends into gameplay. This ability to play with, and assist, real world friends in such a casual and accessible manner builds the social connections of players and, according to McGonigal (2011, pp. 87), helps address the decline in social capital highlighted by Robert Putnam (2000) in his reflection on the deterioration in extended community within the US. (His well-known book on the subject employs a suitable gaming metaphor for its title ‘Bowling Alone’). While the proliferation of MMORPG and Social media games sets the context for this paper, the vast majority of games are designed, produced and marketed for commercial purposes. They provide limited public good and indeed many researchers highlight the negative social values inherent in many such games, attributes such as racism (Daniels 2012, Nakamura 2009), sexism (Harvey 2011, Flanagan 2009), exploitation and greed, (Wark 2007, Crocco 2011), aggression and the erosion of empathy. (Anderson 2010, Fraser 2012).

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Games for Social Change: Towards a Higher Purpose

The leading industry forum "Game Developers Conference" held in March 2014 opened with a keynote address by Manveer Heir focusing on 'misogyny, sexism, racism, ethnocentrism, nationalism, ageism, ableism, homophobia, transphobia, queerphobia and other types of social injustice.' He challenged the industry to … "use the ability of our medium to show players the issues first-hand, or give them a unique understanding of the issues and complexities by crafting game mechanics along with narrative components that result in dynamics of play that create meaning for the player in ways that other media isn't capable of." Purchese (2014).

There are emerging movements challenging the emphasis on "trivial play" within the games industry. 'Serious Games', 'Social Games' and 'Social Impact Games' have all emerged as initiatives whereby the main purpose of the game is other than to provide entertainment. Marsh (2011) highlights some of the alternative objectives that games have been developed to serve within the business, health, military and education sectors. Marsh goes on to draw attention to the lack of coherence in the serious gaming sector and argues that this will give rise to a fragmented and unconnected movement…. "wherein, at best, factions or sub-groups begin to be formed and at worst, separate or detach themselves completely from the wider serious games community." Marsh (2011, pp. 67). Marsh proposes a descriptive scale or continuum based on the extent to which the game either contains the attributes of conventional games, i.e. fun and challenging gameplay, or the extent to which its main purpose is to provide experience and emotion in order to convey meaning.

One of the challenges associated with serious games is the diverse and often incompatible purposes to which the principles of serious games are applied, reflecting Marche's contention that the applications for serious games lie in the commercial and governmental sectors. An alternative perspective within the serious gaming genre would posit that the thing which distinguishes such games is not their format nor their gameplay attributes but rather the values which inform their design and development. With roots in both a feminist reaction to the misogyny within games and the critical analysis inherited from radical initiatives such as 'The New Games Movement' which surrounded the 1960s California counterculture, Critical Gaming, Activist Gaming and Games for Change are initiatives promoting the use of games for positive social change. Flanagan and Nissenbaum (2007). Crocco (2011) defines Critical Gaming as games where the principles embodied by games are used to promote critical thinking about hegemonic ideas and institutions rather than to propagate them.

Assuming therefore that Digital Games provide a space for critical discourse, that they have the scale and technical capabilities to engage on a global level and acknowledging the existence of a movement within gaming which sees games playing a role in social change, it is instructive to look at what has been achieved using other digital media and what can be learned from this experience.

Cyberactivism: From Blogs to MMORPGs - The Emergence and Evolution of Cyberactivism

In his analysis of cyber power and the internet, Jordan (1999) contends that the classic perspectives on power in society presented by Max Weber, Barry Barnes and Michel Foucault (REF) also apply to interactions on the internet. Power has been defined by these three sociologists as being the possession of the individual, as the constituent of social order or as domination by an elite over the masses, respec-

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tively. The use of the internet to challenge dominant power structures was highlighted by Mayo (2005) in her analysis of the effective use of the internet by the anti-globalisation protests in the late 1990s. Increasingly, Mayo contends, electronic communication provides an opportunity for "solidarity globally and for enhancing local struggles" (Mayo 2005, pp. 120). Many researchers such as Chiluwa (2012) attribute a significant role to new media in facilitating popular protest in the Majority world. Others such as Howard and Parks (2012) claim that the key to such protest was not technology itself or even the scale of the use of technology, but rather how the discourse resonates with people within a context of political oppression and heightened expectation for change. In their comprehensive study of the Arab Spring, Wolfsfeld, Segev and Sheafer (2013) conclude that social media followed the protest, rather than lead it.

Bennett (2012) identifies three conditions which have contributed to the potential of social media as a mechanism for mobilising for social change: the ethos of diversity and inclusiveness, the rise of "crowd sourced" personalised calls to action, and thirdly, the fact that individuals can become the primary catalysts of change by launching stories or appeals through "often dense networks of social contacts". Jorden (1999, 208) defines cyberpower as existing in three arena, the individual, the social and the imaginary. The imaginary, which is concerned with imagining evolving social possibilities, drives the internet forward, creating a conflict between the expanding access to power by the grassroots and attempts to control it by the elite in order to exert social control or domination.

In Europe and North America the emergence of social media as a vehicle for political participation and collective action has been highlighted by Bennett. He proposes that the rise in personalised forms of political participation, through social media is the defining change in the political culture of our time Bennett (2012). This theme of digital activism among young people is further developed by Ficher (2012). She highlights numerous studies which have explored the effects of the so-called "technology Tsunami" on youth participation in United States politics, social movements and society more generally. The technologies in question include wireless handheld devices, the Internet, and social media such as Twitter and Facebook, known collectively as Web 2.0. One general finding cited by Ficher is that information and communications technologies facilitate protest and collective action. In fact, she finds that youth activists who were mobilized through the Internet were more likely to attend protest events than those who were mobilized through their personal connections.

Salters (2011) review of the use of social media by community groups suggests that it aligns with the values of participatory inclusiveness and builds on existing social relations and structures. with the potential to enable non-hierarchical community building. Obermeyer (1998) highlights the potential role of ICT as a democratizing force. Thrall, Stecula and Sweet (2014) highlight how international human rights groups use social media in their activist activities. Langman (2005) highlights the need for contemporary theory of social movements to consider the central role of electronic media and global networks in enabling 'virtual public spheres'. Activism can be defined from an individual perspective as engaging in specific steps with the intention of creating social change. It can also be focused on reacting to immediate social, political, economic, or environmental issues. Activism can also involve groups of people acting together in order to achieve a common goal.

According to Tarrow (2011), cited in Sandoval-Almazan and Gil-Garcia (2014), these social movements have four defining characteristics: collective challenge, common purpose, social solidarity, and sustained interaction. Ostrom (1990) adds to this a characteristic that social movements have a common pool of resources. As pointed out by Van der Donk et al (2004), social movements vary greatly in ideology, objectives, scale, structure and social profile. This diversity has led to a range of different theories and typologies by which such movements are described and critiqued. Historically, the study of social

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movements has been divided into two traditions: 'new social movement' which emanated from European critique, and "resource mobilization theory" which has its roots in the US. Blodgett (2011) presents Frame Analysis as being accepted by both 'schools' and she sees it as particularly useful in the context of online social movements. She cites Snow and Bedfords' (1988) explanation that social movements organisations (SMOs) contain and produce views of the world that resonate with their individual members while also shaping how those members think about certain topics. Snow et al (1986) elaborate by referring to the necessary alignment between individual and SMO "interpretive orientations", such that the individual interests, values and beliefs and SMO activities, goals, and ideology are congruent and complementary.

Garner, R., Zald, M. (2012) acknowledges the influence of Marxist theories in analysing the way movements emerge from capitalism, albeit outside the classical Marxist class boundaries. She sees social movements as a form of reaction to advanced capitalism and the role of mainstream media in supporting the capitalist paradigm. It is not surprising then that she anticipates a defining role for information technologies in the growth of radical social movements, citing 'The Information Age' (Castells 1997) and the recent attention being paid by sociologists to the role of social media and the Internet in this field.

Game On!!: "Cyber-Sceptics" vs. "Cyber-Enthusiasts"

Wolfsfeld, Segev and Sheafer (2013) refer to the presence of two camps regarding the role of the internet in facilitating radical social change: the "cyber-enthusiasts" and the "cyber-sceptics." Miles (2014:112) critiques the "hype" associated with the internet not only as an "illusion" but a distraction which facilitates the accumulation of power by the elite. Wolfson's (2014, pp. 673) analysis of early internet based social activist initiatives concluded that the technology created a detachment between the activists and the social oppression about which they were advocating, making it difficult to build "long-term powerful social movements". Cabalin's (2014) rejection of the possibility of technological determinism in the analysis of student protest in Chile and their use of facebook proposes that the use of such technology simply aligns with classic theories of social movements by taking traditional action in innovative ways, but cannot be considered a trigger for political actions.

In his highly influential article in the New Yorker, titled "small change", Gladwell (2010) argues that social media has made it easier for activists to express themselves but more difficult for them to make a significant impact. The argument he makes reflects the treatise in "The Tipping Point" that social movements emerge through social networks, leadership on issues of critical importance to a community, community based action and reaction. He dismissed social media as being effective at increasing participation but only by lessening the level of motivation that participation requires. This "Slacktivism", he contends, happens among a large number of loose acquaintances, thus neutralising the impetus for action which common cause within a small group of committed activists creates (Gladwell 2011). Similarly, Bondes and Schucher (2013) highlight how many new forms of social activism are loosely connected and are based on the individual expression of emotions and personalized interpretations of the world. Such activism is often short-lived, they claim, attracting large numbers of participants but fading away rapidly. This perspective on cyber activism is reinforced by the observed lack of political radicalisation of Chinese youth in the aftermath of mass participation in online protest which, they conclude, "implies that expectations about the democratizing impact of online activism might be premature" Bondes and Schucher, (2013).

Youmans and York (2012) point out that social media, its governance, rules and structure are driven by commercial considerations, rather than being designed to facilitate activist users. The goals of platform

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owners, developers and those legislating over the conditions for their use can often conflict with their use as tools for civil society and popular mobilization. One of the measures that the authors suggest to counter this hegemony is the development of ‘‘civic technologies,’’ such as Wikipedia, unconstrained by government or commercial gatekeepers. Thigo (2013) calls for the development of technology tools whose objective is to mobilise for change and which are constructed and remain rooted in the terrain of those who aspire for real social transformation. Such emancipatory technologies must not be neutral, must be people-centred and work in the interest of improving the lives of those in need. Konieczny (2014) reinforces the status of Wikipedia as a social movement organisation and highlights the political impact of its 2012 anti-SOPA protests whereby a global blackout of Wikipedia forced US Congress to retract proposed legislation which was seen as potentially threatening the future of the movement of over 20 million volunteers and 500 million distinct monthly viewers.

da Silveira (2013) highlights the impact on activists such as Aaron Swartz who, at the time of his death, faced prosecution by US authorities for making publicly funded academic research freely available online. His campaign proposing civic insurgence against the privatization of knowledge used hacking technology to pursue his ideology of freedom of access to cultural and scientific resources. da Silvera (2013) documents the rebranding of Hackers, from being a North American counterculture as depicted in Steven Levys' (1984) "Hackers: Heroes of the Computer Revolution". In her 2002 paper Laura Illia depicts hackers as cyberactivists engaged in different levels of criminality depending on the extent to which they interfere with the computer systems and information in the possession of private and state corporations. She uses terms such as "technical attacks" and "criminal intent" within the context of cyberactivism. In studying the way that hackers were portrayed in the mass media, Sandor Vegh (2005) noticed that after September 11, 2001, there was a change in the discourse. Hackers, who had, to this point, been depicted as common criminals, came to be described in the news as cyberterrorists (Vegh 2005). Vegh found that articles in the United States media increasingly used a sensational tone when talking about hackers, opening the way for the approval of laws and regulations that limit cyberactivism and "hacktivism."

Hal Budish (2012) highlights the real world impact that online activism can have, both in changing the social and political context against which the activism is directed but also in the consequences for the activists when those in power react against them. He responds to Malcolm Gladwell's criticism of cyber-activism by suggesting that perhaps those who limit their activism to "clicking a button" may not ever have mobilised behind a campaign in the first place. He goes on to suggest that rather than online activist campaigns mimicking conventional campaigning strategies by measuring success by the number of members secured or the number of emails sent, that new technology-enabled ways of participating and protesting should be used. He points out that rather than using the internet as a means of promoting an event or a protest that the lesson from The Egyptian experience showed that;

"By using the Internet to create opportunities for small, safe tasks that make it easy for individuals to contribute to a cause, it will allow many more to share in those transformative experiences, while laying the groundwork for greater forms of participation later on." Hal Budish (2012, pp. 772)

Taking this point that growing protest movements involves building trust, collective identity and a sense of communities, it is instructive to explore the extent to which digital Games might contribute to this process more effectively than other digital media.

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Games-Based Identity, Community and Solidarity: From 'Theatre of the Oppressed' to Critical Gaming

In her analysis of the strength of shared identity within a second life community of gameplayers, Pearce cites Bernie DeKoven's concept of a "play community," sharing a strong social connection, as well as inclusive and flexible styles of play which can be transformed by the group themselves and by the spaces they interact in. The depth of the relationship and shared identity comes from the intensity of gameplay where players produce "... a 'CoLiberation', an optimal balance of individual self-awareness and group connectedness" (Pearce & Artemesia 2007, pp. 315). In her particular study of the game 'Uru: Ages Beyond a Myst' Pearce noted that when the game closed in 2006 players migrated on masse to other MMORPG s and brought with them their own culture and style of play, many choosing to reconnect with other Uru players to maintain their "play community". Leung (2013) builds on this analysis drawing from Anderson's (1991) notion of 'imagined communities' as a means of explaining the level of solidarity she found amongst participants in online activism. She proposes that the 'imagined solidarity' experienced by activists, and particularly anonymous activists, is both flexible and interactive, facilitating the emergence of non-hierarchical, democratic organisations. She goes on to suggest that cyberactivist identity is fundamentally different to the concepts of 'solidarity' which characterise conventional social movements. Her research findings show that bonds of solidarity are constantly changing depending on the individual activists' perception and the differing styles of group identity formation (Leung 2013). Leung presents the notion of 'imagined communities' made possible in an online contest because of the development of open spaces for participation, such as public cyber-space and interactive networks'.

Sanchez (2009) documents how a second life gaming environment allows users to connect with people with common interests and goals. This is being used by nonprofit organizations who are locating in Second Life, within a space called "Commonwealth Island" and the "Nonprofit Commons". They are connecting with potential supporters and undertaking development education projects directed at young people and schools in particular. This, claims Sanchez, shows the potential this space creates as "a virtual-world platform for real-life community engagement" Sanchez (2009, pp. 26).

Flanagan & Nissenbaum (2007) contend that games have long held a significant place in social activist movements in the US. The New Games Movement, for example, emerged in response to the social change and questioning surrounding the 1960s California counterculture. The members of the movement believed that the types of games people play, as well as the way they play them, were culturally significant. Many involved in the movement developed games informed by critical analysis of anti-racism, anti-sexism and social justice. Their intention was to transform culture through play.

Kims' (2014) analysis of the mass protests in Korea which mobilised behind a real time, mobile phone enabled, youtube campaign driven by young women, draws on the German Critical Dramatist, Bertolt Brecht's call for the use of theatrical art as a means of "criticising social injustices and inequalities and raising people's critical consciousness and agency – and, ultimately, create social change". Kims' (2014, pp. 130). She compares the popular forum created by theatre in the 1930s Germany with creative social media today. Julie Uldam (2014) develops this theme in her analysis of the use of pop-up theatre and video download as a means of increasing the visibility of social movements and protest.

Activist theatre director Augusto Boal's methods were derived from his work with marginalised communities in Latin America. In collaborating with Paul Freire he created the 'Theatre of the Oppressed'. This medium for social mobilisation incorporated games that could serve to 'act out' problematic social situations that directly affected participants' rights Boal (2002). This approach has been further developed

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in 'Training For Transformation' and 'Participatory Learning and Action' among many other critical methodologies for community development and social mobilisation.

Drawing directly from Freirean philosophy, Crocco (2011), presents two ways in which gaming can practise a critical pedagogy, that is, simulation and codification. Simulation sets out specifically to build social empathy with a marginalised grouping, while codification, in the tradition of 'Training For Transformation', involves analysis of a generative theme which is represented or "codified" in a media format, Hope & Timmel (2014), in this case within a game. The group analysis of the theme is the culmination in a process of identification, co creation and presentation of the code. Drawing from this radical tradition, Flanagan and Nissenbaum (2007) observe that given the power and proliferation of online gaming, similar values should form the basis by which contemporary gaming technology is judged.

While rooting Games for Social Chang in solid critical epistemological foundations it is also important that there are clear real world outcomes generated through engagement through games.

Real World Outcomes: Gamification…. and Beyond!!

The term Gamification is widely used to describe the application of game design elements into existing social, commercial or educational processes in order to attract an audience, generate feedback and moderate behaviour. O'Donnell (2014) acknowledges the potential of social and educational gaming; however, she is sceptical as to whether this can be sustained and mobilised for real world social change. This questioning is based on the fact that obedience to the rules is core to gameplay and most current game development is consumption-oriented, with "proper socially responsible rules" hidden beneath "the thin veneer of a game". O'Donnell (2014, pp. 356). The concept of Gamification has been popularised by games designers such as Jane McGonigal whose book, "Reality is Broken," presented the potential for positive real world change through games, McGonigal (2011). Jesse Schell's predicted a coming Gamepocalypse where "...every second of your life you're playing a game in some way". Most notably he gave the example of a toothbrush being connected to a lifestyle game where the player receives points for each time the brush is used, and the dental products companies receive valuable customer information. Zyga (2010).

Research into gamified drug prevention programmes undertaken by Schoech et al (2013), investigated games as a means of moderating young people's behaviour. They concluded that while there was a positive response from the young participants, it proved very difficult to measure the effectiveness of the game versus the potential of real world interventions. O Donnell (2014) presents the dichotomy between the games designers' Objectivism and the social activists' Constructivism, whereby the designer sees the outcome as being the performance of the game while the activist wants to know how things have played out in the real world. Even the best serious games are eventually posed the question, "Well, did you really do X?" At which point, you've broken the game designers' epistemological frame. She will cock her head and ask, "Well, did they play it? Did they have a meaningful experience? What story did they tell?" The person asking for proof will respond again, "But, did they really do it, get it, or learn it?" To which the designer will shrug and walk away. O'Donnell (2014, pp. 357)

In order to address this concern, Lundgren & Torgersson (2013) argue convincingly for the development of Hybrid applications which combine mobile technology with real world interventions, for example incorporating a requirement to go to a particular location and undertake a real world task as part of the gameplay. The potential use of hybrid games has been researched by Flanagan (2007) who concluded that these types of experiences could facilitate "empowerment, community building, and cultural change".

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Flanagan (2007). Further research into the use of Hybrid games in education undertaken by Avouris & Yiannoutsou (2012) concluded that "the social and collaborative aspect of these games helped in teaching skills like interpretation, acceptance of diverse perspectives, team work, information management, problem solving etc." cited in Lundgren & Torgersson (2013).

DISCUSSION AND RECOMMENDATIONS

This paper presents a strong case, and an epistemological basis for building strategic collaboration between digital games designers and community developers. Such a collaboration could produce a new way of doing community development, building on established Freirean methods but harnessing the power and omnipresence of digital games to engage, motivate and mobilise for change. This is undoubtedly a very appealing proposition given the potential for connecting with young people and forging transnational alliances as well as scaling up in a way unimaginable in "real world "community development. However there are undoubtedly many challenges in seeking to pursue a significant methodological paradigm shift.

Moderating such a collaboration is complicated by the fact that it straddles Social Sciences, Computer Sciences, the Creative Arts and Politics, disciplines with very distinct cultures and identities. There are many within youth and community work who would be horrified by the prospect of aligning their work with an industry that perhaps they don't understand, value, or believe has the capacity to engage on critical social issues with integrity. On the other hand, those who thrive on the fast tempo and creative energy of the games design and development industry might be challenged by the slow and uncertain pace necessary when working with marginalised individuals and communities. However, within this review the common theme connecting the analysis across these various fields is defined by values of social inclusion, creative engagement and a commitment to generating positive change. The starting point must therefore be the values inherent in progressive youth and community work and engagement with researchers and practitioners in other fields who share a commitment to these values. This is about taking a political position, articulating it and working with those who share it. While in the social sciences we are comfortable in doing this, it can be new and challenging for those in other disciplines. This may be best enabled through the creation of a community of practice, led by key Community Development Practitioners and Games Designers who share this common commitment to social change using games and community development methods and the medium and the mechanism for engagement.

The second challenge relates to, and emerges from, the first. It is the importance in creating interdisciplinary understanding and collaboration between academics and practitioners in the youth and community work sectors and games developers and designers. Common values are the foundation upon which this relationship can be built. However, action research and community based projects must form the mechanism for building working relationships, trust and mutual understanding. The challenges in designing and delivering collaborative projects which engage Academics, Community Activists and Games Designers as co-creators should not be underestimated as it requires a recalibration of our sectoral expectations of the outcomes of research. Assuming that the goal is to achieve optimal impact, such pilot projects can then be shared across sectors which are particularly adept at networking and adopting new ways of working. At the heart of this approach is a commitment to the principals of open source and the creative commons, principals perhaps, which challenge all, equally.

A further key challenge within this field of research relates to ensuring real world outcomes using virtual engagement. From this review, there is evidence to suggest that games combining interaction in

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both the real and online worlds may better enable social impact. The potential for such hybrid gaming as a format is deserving of further research as a means of mobilising the player but also as a tool to balance engagement by games designers and community workers within gameplay. There is also the issues of how to measure outcomes from such an initiative. While it is tempting to focus on measuring and tracking online activity, the most significant impact of engagement with such games may not be reflected in game behaviour but rather in attitudes and behaviour in other digital media and in the real world. As with community development, an overemphasis on quantifiable outcome based evaluation often misses the most profound impacts in development processes and certainly feeds into the positivist, managerialist commitment to a direct cause and effect analysis and the control which goes hand in hand with this analysis. Perhaps, while not abandoning positivist evaluation entirely, we should be open to the possibility that community development processes which have integrity, as with art and education, are worthwhile in and of themselves, and that we must trust that they will lead to the creation of a more inclusive and equitable society.

CONCLUSION

Acknowledging the scale and intensity of engagement elicited by online computer games within contemporary culture and its emergence as a social space, particularly among young people. The paper points to the emerging common ground between progressive games designers and community development practitioners and building on the experience of activism in other digital media highlights the potential that exists for new social movements, to emerge within this space.

The challenges in constructing such collaboration are not inconsiderable. It be founded on clearly articulated shared values, must invest ownership of the process in the community and accept a degree of creative ambiguity in the outcomes. If the potential identified in this paper is to be achieved it will require a significant amount of trust. Trust across academic disciplines, trust between very different sectors and trust in a process and an idea which promises progressive social change.

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Chapter 46
Holistic, Evolving Aspects of Nonviolence for Bringing About Needed Social-Political Change and Important Practitioners of Nonviolence

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ABSTRACT

This article examines holistic, evolving aspects of nonviolence—as a goal and as the desired means for bringing about needed social-political change, whether in schools or society, along with important practitioners of nonviolence. It covers Gandhi's principled and spiritually-based nonviolence for collective social-political change (Part 1); a number of other nonviolence practitioners in the Gandhian tradition—from different countries and spiritual-religious traditions working for different goals in their respective countries (Part 2); strategic nonviolence of Gene Sharp and others (Part 3); and additional forms of working nonviolently within existing systems that have emerged since Gandhi's time (Part 4).

INTRODUCTION

In addition to seven plus evolving aspects of peace—as visions and goals for society and the world from the Peace Studies Field, covered in other writing by this author (see, for example, Groff, January 2001; Groff, 2007; Groff, 2008; and Groff, 2009a and 2009b), one can also identify at least ten or more evolving aspects of nonviolence—defined as a desired goal and also as the desired means used to bring about needed social-political change, whether in schools or society, from the Peace Studies and Conflict Resolution fields. One can also study the lives and nonviolent struggles of various practitioners of nonviolence who have led their peoples in movements to achieve various goals needed in their respective societies. These nonviolent efforts can be either principled or spiritually-based, as part of a whole philosophy of

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life, including Gandhi's pioneering use of nonviolence for *collective* social-political change (Part I), with a number of other purposive and spiritually-based practitioners of nonviolence in the Gandhian tradition (Part II), or they can be in the Gene Sharp tradition of strategic nonviolence, where nonviolence is used as a temporary strategy for bringing about needed social-political change that need not be spiritually-based (Part III). In addition to all the above uses of nonviolence to bring about needed change—initially *within* existing political systems, but eventually *outside* those systems, when particular laws must be challenged as unjust—a number of additional nonviolent methods for working *within* existing systems have also been developed since Gandhi's time, which will also be briefly summarized below (Part IV).

PART I: MAHATMA GANDHI'S *SATYAGRAHA* OR TRUTH FORCE – THE FIRST TO USE SPIRITUALLY-BASED NONVIOLENCE FOR *COLLECTIVE* SOCIAL-POLITICAL CHANGE

Introduction to the Great Significance of Gandhi's Nonviolence

While there have always been religious leaders historically who lived lives of nonviolence, as well as important *individual* practitioners of nonviolence in more recent periods before Gandhi—such as Leo Tolstoy in Russia (Green, 1986; Murthy, 1987; and Tolstoy and Garnett, 2006) and Henry David Thoreau in the United States (Thoreau, 2012; and other editions of his work)--modern nonviolent movements began with Mahatma Gandhi, who was the first person who led a *collective* movement using nonviolence for social-political change, in Gandhi's case first against discrimination that he experienced for being Indian in South Africa, and later when he returned to India to lead India's movement for independence from the British Empire. (See, for example, from the many writings on Gandhi's life: Carter, 1995; Easwaran and Flinders, 3rd Ed., 1997; Gandhi and Fischer, 2002; Gandhi and Brown, Eds., 2008; Gandhi and Mahadev, 1993; and Johnson, 2005.) All later practitioners of collective movements of principled and spiritually-based nonviolence, as part of a whole philosophy of how one lives one's life, go back to Gandhi as their inspiration. Gandhi was nominated five times for a Nobel Peace Prize before he was murdered in 1948—an irony for someone so committed to nonviolence. (The same happened to Martin Luther King.)

Stages in Gandhi's Nonviolent Movement

Gandhi believed that there were a series of stages that a nonviolent movement for social-political change needed to go through. He also believed that one must exhaust all of the possibilities of each stage before proceeding on to the next stage. In short, one cannot skip stages, and one hopes that each stage will be successful in achieving the goals of one's movement so that one need not go on to the next stage. Nonetheless, if necessary, a nonviolent movement will end up going through all the stages he outlined. (Ibid.; Dalton, 2012; Gandhi, 2001; and summarized from Gandhi's lifetime of nonviolent struggle.)

Gandhi's stages included:

Stage I- Utilization of All Regular Constitutional Machinery: Work through the existing system for change.

Stage II- Agitation Stage: Educate the people about the issues involved.

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Stage III- Ultimatum Stage: Present demands to the government—which they can accept or reject.

Stage IV- Self-Purification Stage: Prepare for direct action by being sure one's motives are pure and not self-serving or egotistical.

Stage V- Direct Action Stage: Protests, boycotts, strikes, civil disobedience, etc.—but one only disobeys and challenges those laws which are deemed unjust.

Stage VI: If all else fails, *Set up a Counter-Government in Exile,* which is basically saying that the existing government has failed to respond to the legitimate needs of the people and demands of the nonviolent movement and has thus lost its legitimacy to represent the people. (Ibid.)

Characteristics of Gandhi's Nonviolence: Which All Later Practitioners of Collective Nonviolence Go Back To

Mahatma Gandhi's use of nonviolence, based on Satyagraha or Truth-Force, had the following characteristics (synthesized from this author's years of university teaching of courses on peace, conflict resolution, and nonviolence; Ibid.; Johnson, 2005; Borman, 1986; and Merton, 1965.) Gandhi believed: (1) The means are as important as the ends. This means that however noble and important one's cause, using violence to achieve one's goals can corrupt those ends. (2) One only opposes unjust laws, not all laws. (3) One's strength comes, not because one has superior military power, but because one has a just, moral issue on one's side. (4) One must exhaust all the possibilities within the existing system and within each stage, before going on to the next stage. (5) Nonviolence seeks to keep the conflict on a human level and seeks to get one's opponent, and world public opinion, to see that one does have a just issue on one's side. (6) Finally, one does not dehumanize one's opponent (which one must do before using violence against anyone), but one appeals to their moral conscience, to help them understand that one does indeed have a just and moral issue on one's side, which should be supported.

This is why, in nonviolence, one only opposes unjust laws, not all laws. As one example, Gandhi began his nonviolent efforts in South Africa, when he experienced being discriminated against just because of the color of his skin, which he saw as unjust, just as he later saw the continued British rule of India, and the British salt tax as one specific example, as unjust and worthy of nonviolent opposition to rectify the situation.

In using violence, in contrast, one must first go through a psychological process of making one's opponent seem less than human, via using derogatory terms to describe them, so that one can justify to oneself and others that one is indeed justified to use violence against them, including killing them. For this reason, it can be argued that nonviolence is a superior, more humane, and just form of seeking needed social-political change than violence.

The Spiritual Basis for Gandhi's Nonviolence

Gandhi was a devout Hindu who loved the *Bagavad Gita* (Gandhi and Desai, 2000), but he was clearly also open to the wisdom of other spiritual traditions. He thus regularly read to his children, and they in turn read to their children, from the scriptures of different world religions. (From conversations of this author with both Gandhi's grandson, Arun Gandhi in the U.S. at Summer Peace Institute, Antioch College, and with his grandaugher, Ela Gandhi at interfaith conference in South Africa.) Gandhi thus said: "I am also a Christian, a Muslim, a Buddhist, and a Jew," who also rejected the Hindu caste system. (Gandhi, 1993, 1957) In his childhood, Gandhi's mother, Putalibai, was also greatly influenced by the Jain

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religion, which also practices nonviolence as a way of life, with Jain monks often visiting his household growing up. (Hay, 1971; and Willeford, 2014) The Jain monk, Shrimad Rajchandra, was also a spiritual guide to Gandhi and influenced his nonviolent thinking. (Rakeshbhai, 2014) These different spiritual principles and people that Gandhi was exposed to were also an important part of his later commitment to nonviolence as a philosophy and way of life. Others that influenced him were also Tolstoy (Green, 1986; and Murthy, 1987) and Ruskin.

PART II: EXAMPLES OF VARIOUS PRINCIPLED AND SPIRITUALLY-BASED PRACTITIONERS OF COLLECTIVE NONVIOLENT MOVEMENTS FOR SOCIAL-POLITICAL CHANGE IN THE GANDHIAN TRADITION

Introduction to Principled and Spiritually-Based Practitioners of Nonviolence in the Gandhian Tradition

There are a number of principled and spiritually-based practitioners of collective, nonviolent movements in the Gandhian tradition around the world who have been inspired by Gandhi's path-breaking initial efforts in using nonviolence for *collective* social-political change. They each go back to Gandhi to learn how he led a collective nonviolent movement, and how they can apply similar nonviolent methods to their own particular social-political goals in their respective countries and groups. These will each be briefly noted below (and elaborated in a forthcoming book, *Sustainable Peacebuilding,* by this author, 2017). This version of nonviolence is often called Principled Nonviolence (Holmes and Gan, Third Ed., 2012), with many such practitioners also coming from different spiritual-religious traditions—including Hindu, Muslim, Christian, and Buddhist traditions, amongst others--on which their respective practice of nonviolence is at least partly based.

Some Examples of Principled/Spiritually-Based Practitioners of Collective Nonviolence

The first group of nonviolence leaders in the Gandhian tradition to be covered here include: Badshah Khan; Martin Luther King, Cesar Chavez, and Desmond Tutu, after which various socially-engaged Buddhists will be covered.

1. *Badshah Khan* (or Khan Abdul Ghaffar Khan) was a devout Muslim of Pashtun origin, an independent political activist, lifelong pacifist, and spiritual leader opposed to British rule in the subcontinent of India. He was a good friend of Gandhi and was known as the "Frontier Gandhi." He strongly opposed the British partition of India, which nonetheless occurred (which also broke Gandhi's heart), favoring instead a united, secular India. Based on a belief in Gandhi's Satyagraha or Truth-Force, he started a monthly journal and founded a "Servants of God" movement, which included the world's first nonviolent army, which then led to a strong British crackdown. Under partition, the Pashtuns became part of Pakistan, where Khan sought autonomy for the Pashtuns, which was rejected by Pakistan. He spent time jailed or in exile, dying in 1988 while under house arrest in Peshawar, though allowed to have his remains sent to Afghanistan, according to his wishes. He remained a Pashtun national hero. (Easwaran, 2nd Ed., 1999; and Gandhi, R., 2008)

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2. The *Rev. Dr. Martin Luther King* was a Christian Baptist Minister and nonviolence leader of the U.S. Civil Rights struggle, who was inspired by Gandhi's use of nonviolence. He was a great orator. During his life, he organized bus boycotts, nonviolent protests, sit-ins, the Selma to Montgomery march, and the March on Washington, where he gave his famous "I Have a Dream" speech. His "Letter from a Birmingham Jail" is another famous statement. He was elected President of the Southern Christian Leadership Conference. Later in his life he also began dealing with poverty and the Vietnam War, making him even more controversial to some people. He received a Nobel Peace Prize for fighting racial inequality nonviolently. He was assassinated in 1968 (despite his commitment to nonviolence)—a day after giving another famous "I Have Been to the Mountaintop" speech saying: "we will get there as a people," even though I might not get there with you." (Washington, Ed., 1986; Carson, 1998; and King, 2003)
3. *Cesar Chavez* was a Christian nonviolence leader, union organizer, and civil rights activist in the U.S., who led the effort for the right of farm workers to organize a union to gain higher wages and improve their very bad working conditions. He co-founded with Dolores Huerta the National Farm Workers Association, which became the United Farm Workers in 1972. He participated in marches, boycotts (of grapes), and strikes. His hunger strikes may have contributed to his death in 1993. He was nominated three times for a Nobel Peace Prize, and was called "the Mexican Martin Luther King." (Pawel, 2014; Pawel, 2009; Levy, 2007; and Day, 1971)
4. *Bishop Desmond Tutu* is a retired Anglican Bishop from Johannesburg and Lesotho and a retired Archbishop of Cape Town, South Africa. He worked tirelessly and nonviolently to end Apartheid in South Africa, supporting disinvestment in South Africa at the time. He was a co-founder and Chair of the Truth and Reconciliation Commission that tried to help heal the deep wounds left from Apartheid. The Reconciliation process got people to account for their past sins under Apartheid, but it was criticized by others for not going far enough, since people who confessed their past sins under Apartheid were not further prosecuted or jailed. Tutu then worked to eliminate poverty, racism, homophobia, and other forms of discrimination and support human rights. He is credited with the term "Rainbow Nation" to describe South Africa's ethnic diversity. He is a Nobel Peace Prize winner and the winner of numerous other awards. (Tutu, 2nd Ed., 2007; and Tutu, 1995)

Further Examples of Practitioners of Collective Principled and Spiritually-Based Nonviolence in the Socially-Engaged Buddhist Tradition – Combining Inner Peace and Meditation With Social Engagement in the World

In addition to the above nonviolence practitioners, there are a number of important Buddhist practitioners of nonviolence from different Asian countries (some, but not all Buddhist monks), who were all deeply influenced by Gandhi in developing their own national nonviolent movements for various types of social-political change. They also combined their Buddhist spiritual traditions seeking inner peace through meditation with social engagement in the world that they learned more from Western practitioners of nonviolence, leading to the term "socially-engaged Buddhism"—first used by Thich Nhat Hanh. (King, 2009; and Queen and King, 1996) They include:

1. His Holiness the *Fourteenth Dalai Lama* is the spiritual and longtime, now retired political leader of the Tibetan people (only recently giving up his political role in 2011), who had to flee in 1959 to Dharmasala, Northern India to escape from the Chinese invasion of Tibet. Previously the

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two countries existed side-by-side, but after the Chinese invasion, the new Chinese Communist Government has claimed that Tibet is an integral part of China. In contrast, the Dalai Lama has sought autonomy, not independence, for Tibet within China, which has so far ignored his requests to resolve this issue. China instead has taken over much of the territory of Tibet, including its capital, Lhasa, moved many Chinese people into Tibet (making the Tibetans a minority within their own country), and also destroyed thousands of Buddhist monasteries—the center of Tibetan Buddhist spiritual and cultural life. An important goal of HH the Dalai Lama is to preserve the spiritual lineages of Tibetan Buddhism, through which the rich cultural and spiritual traditions of Tibet can survive. While Tibetan Buddhism within Tibet has suffered greatly, one consequence of the Dalai Lama's exile from Tibet is that he has brought Tibetan Buddhism to the rest of the world and become one of the most recognized and respected spiritual leaders on the planet. He is a Nobel Peace Prize recipient and author of many, many books. (Dalai Lama XIV, 2010; Ayer, 2008; Salty, 2011; and numerous other books by and about HH the Dalai Lama.)

The Dalai Lama has worked closely for years with Lobsang Tenzin (a Tibetan monk and Rinpoche better known as Venerable Professor Samdhong Rinpoche and to Tibetans as the 5th Samdhong Rinpoche)—the past Kalon Tripa or Prime Minister of the Central Tibetan Administration or Tibetan Government in Exile. Like HH the Dalai Lama, he is a lifelong advocate of nonviolence, based on Buddhist teachings, who also had to flee Tibet when the Chinese arrived. He was initially appointed as Prime Minister by HH the Dalai Lama and then, beginning in 2001, democratically elected by the Tibetan exile voters. ("Professor Samdhong Rinpoche," October 31, 2016) In 2011, HH the Dalai Lama gave up his position as political leader of the Tibetan people (while remaining its spiritual leader), with democratic elections being held that elected Lobsang Sangay to the new position of sikyong, or Prime Minister. He was recently re-elected in April 2016, pledging to continue to push for dialogue with China to resolve the future of Tibet, while also using the "middle way" of dialogue and nonviolence. (Anand and Tsering, April 27, 2016) He also represents a new generation of Tibetan leadership.

2. *Thich Nhat Hanh* is a Zen Buddhist monk from Vietnam & later Plum Village, France, who was the originator of "socially-engaged Buddhism" (Thich Nhat Hanh, 1967), which combined the traditional Buddhist focus on meditation and inner peace with social-engagement in the world, specifically choosing, during the Vietnam War, to also help the suffering of his people from the war. Besides being a Buddhist monk, he studied at Princeton University and taught at Columbia University. When North Vietnam invaded South Vietnam, he was banned from returning to Vietnam, though later given permission to return to visit. His efforts have inspired the work of the many other Buddhists (noted below) and peace-loving people globally. He has published many books, including: *Peace Is Every Step* (1991)*;* and *Being Peace* (2005). His theme is through mindfulness we can find happiness in the moment and inner peace—the only true way to peace in the world. He was nominated for the Nobel Peace Prize in 1967 by Martin Luther King. (Thich is his family name in Vietnamese.) (Thich Nhat Hanh, with Kotler, 1991; Thich Naht Hanh, 2005; and Willis, 2003)
3. *Maha Ghosananda* was a socially-engaged Buddhist monk and Supreme Patriarch of Cambodian Buddhism during the Khmer Rouge period and post-Communist transition period. He led numer-

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ous peace marches and walks for reconciliation in Cambodia, in an effort to help heal the country after the killing fields of Pol Pot and the Khmer Rouge, while also working to clear land mines in the country. He was nominated for a Nobel Peace Prize four times and was called the "Gandhi of Cambodia." He passed away in 2007. (Bhikkhu, 2009)

4. *Sulak Sivaraksa* is a socially-engaged Buddhist intellectual, social critic, and peace activist from Thailand, who is Founder/Director of the Thai "Sathirakoses-Nagapradeepa Foundation" NGO, concerned with poverty and other social, economic, and environmental issues, has led peace marches and protests on such issues, and has challenged existing government policies. He is the author of over 100 books. He was awarded the Alternative Nobel Prize (Right Livelihood Award) in 1995. (Campbell, 2014; and Sivaraksa, 2005)
5. *A. T. Ariyaratne* is a socially-engaged Buddhist from Sri Lanka, and Founder/President of the Sarvodaya Shramadana Movement, which aids self-help development projects in 15,000 villages and helps people harmed by the years of civil war between the Sri Lankan government and the separatist Tamil Tigers. He works to empower the poor spiritually, as well as socially, economically, & technologically. He has been called the "Gandhi of Sri Lanka" and the "living Gandhi." He has also been nominated for a Nobel Peace Prize. (Ariyaratne, 1999; Ariyaratne and Nandesena, 1996; and Ariyaratne and Ratnapala, 1978)
6. *Aung San Suu Kyi* is from Myanmar, formerly Burma, who became a symbol and nonviolent, pro-democracy leader for her country's people after her father was killed by a military dictatorship. She lived under military house arrest various times and was unable to leave the country to even see her own husband, or her two sons, in England. She heads the National League for Democracy (NLD) and is a Nobel Peace Prize recipient. More recently, policies changed and elections were permitted, which led her to run for office and be elected to the Parliament, and later to be selected head of her country. Her neglect to speak out against oppressive policies against a Muslim minority group, the Rohingya, within her country today, has led to human rights criticism of her on this issue (Amnesty International, 2016), given her history as a symbol of the humans rights struggle of the Burmese people against a military dictatorship and her earlier Nobel Peace Prize. The transition to democracy in Myanmar is still, however, in its early stages. (Aung San Suu Kyi, 2003; Popham, 2013; and Winkle, 2007)

Important books have been written (as noted) on each of the above principled and spiritually-based practitioners of nonviolence, highlighting both their philosophies of nonviolence, as well as their nonviolent actions in their respective countries to bring about needed change—often against foreign occupying powers, authoritarian governments, or military dictatorships which were oppressing their own people in very undemocratic ways. For more on each of these practitioners of nonviolence—treated briefly here, see this author's forthcoming book, *Sustainable Peacebuilding* (2017).

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PART III: STRATEGIC NONVIOLENCE FOR COLLECTIVE SOCIAL-POLITICAL CHANGE – GENE SHARP'S LIFETIME WORK, AND *A FORCE MORE POWERFUL,* BY PETER ACKERMAN AND JACK DUVALL

Gene Sharp's Pioneering Work on Strategic Nonviolence as a Temporary Strategy for Social-Political Change and His Lifetime Work Documenting Historical Cases of Nonviolence

Gene Sharp spent a lifetime documenting historical and current cases of nonviolence as a strategy for bringing about needed social-political change. He coined the term "strategic nonviolence," advocating that nonviolence could be used as a temporary strategy for needed social-political change, which need not be spiritually-based or part of a whole philosophy of life. Indeed, he did not want people to think that they needed to ground their use of nonviolence to some spiritual foundation in order to productively use nonviolence to bring about change. His commitment was to nonviolence as a far superior method than violence for creating needed change in the world (Sharp, 1970; Sharp, 1973a, 1973b, and 1973c; Sharp, 2003; Sharp, 2005; and Sharp, 2013).

Sharp also advocated the training of whole populations of a country in the use of methods of strategic nonviolence. First, he believed that this would ensure that a nonviolent movement would not be dependent only on a strong nonviolent leader for their movement to continue and succeed, particularly if their leader was jailed or killed by violence. Secondly, Sharp also advocated a policy of Civilian Defense, where whole populations are trained in how to resist a foreign occupying power, if that occurred, via non-military means, just by making that occupation extremely difficult for the occupying power to carry out. In this way, nonviolence could even be the basis for a whole non-cooperation strategy for national defense (Ibid.).

Peter Ackerman and Jack DuVall's Ongoing Work on Strategic Nonviolence in the Gene Sharp Tradition

Peter Ackerman and Jack DuVall follow in the Gene Sharp tradition of documenting many historical cases of strategic nonviolence, which they cover in their book, *A Force More Powerful: A Century of Nonviolent Conflict*, which also formed the basis for a PBS public television series (available on DVD). In their book, they examine many cases where nonviolence has been used successfully to accomplish different goals for social-political change, thus building on Gene Sharp's work (Ackerman and Duvall, 2000).

PART IV: ADDITIONAL NONVIOLENT WAYS TO CREATE SOCIAL-POLITICAL CHANGE – *WITHIN EXISTING SYSTEMS* – SINCE GANDHI'S TIME

There are a number of additional ways to work nonviolently *within* existing systems to bring about needed social-political change, which methods have all emerged since Gandhi's day. These various methods--each briefly summarized below—expand the nonviolent methods available for those seeking needed change.

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Conflict Resolution, Management, and Transformation

Initially there was a view that the goal was to resolve all conflicts, but with time it was realized that conflict seems to be part of life and the goal is not to eliminate all conflict, which is impossible, but to find more constructive ways to deal with conflict—including when it could not be immediately resolved. Thus at least three different versions of how to deal with conflict have emerged in the field over time, including conflict resolution, conflict management, and conflict transformation—all ways to help parties to resolve their conflicts and differences over different time periods. (For a good overview of the field, see Ramsbotham, Woodhouse, and Miall, 2011.)

1. **Conflict Resolution:** The oldest form of dealing with conflict is conflict resolution, where the goal was to resolve conflicts when they occurred. Conflict and conflict resolution was thus examined from the perspectives of a range of different social and behavioral sciences. (See McNeil, 1965 as a great example of examining conflict from the perspective of many different social and behavioral sciences; and Deutsch and Coleman, 2000. Other studies examined conflict from the perspective of particular social sciences, such as: Kriesberg and Dayton, 2012; Coser, 1956; and 1967; Frank, 1967; Nye, 1973; and White, 1970.)
2. **Conflict Management:** Next came conflict management, where it was recognized that not all conflicts can be immediately resolved, but maybe they can be managed, so that they do not get totally out of control. (See, for example, Kahn, 1988; and Ricigliano, 2012) A good example of conflict management was the whole history of U.S.-Soviet relations during the Cold War, where despite arms races and sizeable numbers of nuclear weapons pointed at each other, and despite the Cuban Missile Crisis in October 1962 (when both parties probably came closest to all-out nuclear war), both sides somehow managed to keep the conflict "cold" (and not hot). They did this via focusing on arms races based on nuclear deterrence theory (where the goal was to build up nuclear weapons to *deter* one's opponent from attacking one and not have to actually *use* those weapons—as crazy as that seems), on periodic arms control and disarmament negotiations and agreements, and on competition for support in the rest of the world, especially the developing countries of the Third World, without letting the conflict degenerate into all-out nuclear war, which would have destroyed *both* sides. Here avoiding a nuclear war was win-win, while actually having one would have been lose-lose. (See Allison and Zelikow, Second Ed., 1999; Kennedy, 1971; and Peters, 2016, on the Cuban Missile Crisis.)
3. **Conflict Transformation:** The most recent term is conflict transformation, which takes a longer-term perspective, recognizing that before certain conflicts can be resolved or even addressed, a transformation must first occur in how the parties view each other and/or the conflict, leading to a longer term peacebuilding perspective. (See Lederach, 2003; and Lederach, 1996 as examples.) Conflict transformation has thus become an important addition to the field.

Alternative Dispute Resolution (ADR), as an Alternative to Litigation, and Including Negotiation, Arbitration, and Mediation

Alternative Dispute Resolution or ADR is a huge topic with various forms that have evolved over time that all seek various alternatives to litigation. ADR is sometimes tied to existing court systems, as a required or recommended alternative to litigation, or independent of court systems. ADR also varies with

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different countries and cultures. It is only possible to give a brief introduction to some aspects of ADR here. For a more in-depth discussion of ADR, see other articles in this book, or other outside sources, including legal sources on forms of ADR. What is significant here is that various forms of ADR provide additional examples of nonviolent methods for working within existing social-political systems that have evolved since Gandhi's time. Of the various forms of ADR available, only negotiation, arbitration, and mediation will be briefly covered below.

Traditionally, litigation was a dominant form of conflict resolution in the West, while non-Western countries traditionally focused on mediation to resolve conflicts. ADR then arose more recently as an alternative to litigation in the West (which can often be quite adversarial, and costly—both financially and emotionally). It includes a number of different forms, including but not limited to, negotiation, arbitration, and mediation (though mediation is practiced a bit differently in Western and non-Western countries, as noted below). (See, for example, Esplugues and Barona, 2014) Alternative dispute resolution then began being taught in law schools, business schools, and the social sciences in the West. (Nolan-Haley, 2001) It is interesting here that Gandhi, as a product of both East and West, was both trained as a lawyer/barrister in England, but also enjoyed resolving conflicts informally (Disalvo, 2015).

1. **Negotiation:** This is an age-old method where parties to a conflict talk directly with each other in trying to resolve their conflict, and where they may or may not come to a final agreement that would resolve the conflict. Power for resolving the conflict thus resides with the parties to the conflict themselves. *Getting to Yes* is one very popular model for negotiation in the West, based on getting beyond initial positions of both parties to finding their real underlying needs on which a solid agreement can be based. (See, for example, Fisher, Ury, and Patton, 2011) A goal of negotiation is thus to try to move the conflict from win-lose to win-win, where both parties get some of their underlying needs met, which also gives both parties more incentive to continue to support the treaty or agreement afterwards. In addition to this Western model of negotiation, the influence of cultural differences on negotiating styles of people from different countries must also be taken into account, when parties come from different cultures. (Binnendijk, Ed. 1987; and McDonald, 1996 as examples)
2. **Arbitration:** Here an outside third party, who is often a trained lawyer and arbitrator, is selected by the parties to the conflict to resolves the conflict. The parties each present their case to the arbitrator, who then decides the outcome, and therefore has the real power in the situation. One can also have both legally binding or non-binding arbitration. As an example, medical offices often require that patients sign an agreement to go to binding arbitration, if they have a conflict with their Doctor over the services performed and cost (although such agreements are being challenged in court today). Sports owners also often require players to sign an agreement to go to binding arbitration, if they have a conflict with the owners or management.
3. **Mediation:** Mediation has been the preferred form for resolving conflicts in the non-Western world for centuries. In the West, in contrast, mediation is a much more recent phenomenon that has emerged as one of the ADR methods providing alternatives to litigation. It is also practiced somewhat differently in Eastern/Indigenous versus Western cultures. In the West, the mediator is supposed to be someone totally neutral and not connected to either of the parties to the conflict, in an effort to be "objective." In non-Western cultures and communities, in contrast, mediators are regular members of a community, known by everyone in the community as someone who can help mediate conflicts between members of the community when needed.

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With mediation in the West, an outside third party—agreed to by the parties to the conflict--is brought in to help facilitate the parties resolving their conflict. Like negotiation, it is up to the parties themselves whether they can come up with a final agreement resolving the conflict or not. The power therefore rests with the parties to the conflict. Sometimes there is also co-mediation, as during divorce proceedings, when both a male and a female co-mediation team may help with the mediation. If the parties to the mediation come to an agreement, which is non-binding, they can then sign a separate legal agreement after the mediation, making their agreement binding. If no agreement occurs as a result of the mediation, then the parties can always go back to litigation. (See, for example, Bush and Folger, 1996; and Roberts, 2007.)

For other forms of ADR, such as neutral evaluation, collaborative law or collaborative divorce, conciliation, and ombudsmen (within organizations), please see other outside sources or articles in this book.

Dialogue, as an Alternative to Debate, and Search for Common Ground

Dialogue

It is common in legal circles, as well as cultures like India, to honor rigorous debate as a way of getting better at the truth of a situation or issue. In contrast to this, dialogue has emerged as a global social movement taking a number of different forms today, but all aimed at providing an alternative to debate that can lead to greater understanding between parties, even if not total agreement. In this view, in debate people too often seek to totally win at the other party's expense. They then also seek to make the other side wrong so that they can be right. This seems based on a psychological fear that if they acknowledge the validity of the claims of the other side, that this will undermine their own claims in the situation. In contrast, dialogue aims at listening to increase understanding between parties, even if they don't totally agree, while also seeking areas of common ground, wherever and whenever possible. Ideally, dialogue thus aims at helping parties move from different initial positions to a new third position created by both parties together (Dallmayr, 2013; Flick, 1998; and Tannen, 1998).

Dialogue is often done informally, not always in a formal negotiation setting. Dialogue can also occur between groups over long periods of time, again with the goal of creating greater understanding, as well as better relations and even friendships, but not necessarily agreement on all issues. One example is ongoing dialogue between Muslims and Jews in the U.S. over the future of Palestine and the Middle East.

Search for Common Ground

Related to dialogue and various forms of Alternative Dispute Resolution is the life work of John Marks, a journalist who founded "Search for Common Ground" in 1982, during the height of the Cold War, based on a commitment to "transform the way the world deals with conflict—away from adversarial approaches and towards collaborative problem solving." They work with local groups at all levels of society to build sustainable peace using "dialogue, media, and community," helping people "discover and achieve shared goals" (Skoll, May 28, 2014).

Some years ago, John Marks created a video program on *Search for Common Ground* for public television, which brought together representative leaders of hawks and doves on national defense, with a third party facilitator (William Ury of *Getting to* Yes fame) with the goal of finding areas of common ground amongst leaders of organizations who initially thought they had nothing in common. Marks also shared another example of a group formed of advocates who were pro-life and pro-choice on the issue of

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abortion. He said they met for years, never totally agreed, but developed greater understanding of each other's positions, and actually became friends over time, thereby illustrating how ongoing dialogue can have a positive effect in creating more understanding between parties (*Search for Common Ground.* N.d.).

It is not an accident that dialogue is also occurring, in different forms, as a global movement today, since the diversity of humanity is now coming together and interacting –not only within countries and societies, but also internationally in our increasingly interdependent world. This is all necessitating the need to create greater understanding across all our cultural, civilizational, religious, and other differences. Additional forms of dialogue, in response to this need, include: Intercultural Communication and Dialogue; the Dialogue of Civilizations; Interreligious/Interfaith Dialogue; and Interpersonal Dialogue—all covered next.

Intercultural Communication and Dialogue

There is a whole field of Intercultural Communication and Dialogue, teaching people how to constructively deal with cultural diversity and communication between peoples of different cultures. (Storti, 1999; and Trompenaars and Hampten-Turner, 1998 as examples.) Two basic principles in this field are: (1) the message sent is often not the message received, even though we often assume that people interpret what we are saying with the same meaning that we had when saying those words. (2) The Intercultural field thus teaches people to distinguish between DIE: (a) *Describing the behavior* of someone from another country, which is a strictly factual statement, such as: "Tom just walked into the room." (b) *Interpreting the meaning of the behavio*r of someone—especially from another culture, and this is where problems occur, since people—if they don't know much about another culture—will tend to interpret the meaning of that behavior based on what it would mean in *one's own* culture, not the other person's culture, thereby *misinterpreting* the reasons for, and meaning of, that behavior. (c) *Evaluating or Judging that behavior* as positive/acceptable or negative/unacceptable, based on one's interpretation, or misinterpretation (Groff, 2011; Groff, 2005b; and Groff, 2002).

One good example of this between the U.S. and Japan is as follows: In the U.S., people interrupt each other all the time when they speak, whereas in Japan it is considered very rude to interrupt anyone when they are speaking. Another example is that in Japan, one traditionally does not look directly into another person's eyes, whereas in the U.S. this is interpreted as not being honest. If one does not know the other person's culture, then one can interpret such behaviors very negatively, without realizing that such behavior is the accepted, proper behavior in the other person's culture. People thus tend to end up using *Judgment* terms about the behavior of a person from another culture when they think they are just *Describing* that behavior, not even realizing that they have jumped from Description to Interpretation to Judgment. So becoming *conscious* of *DIE* can help one better interact and communicate with someone from another culture, but this require some familiarity with the underlining cultural values and accepted behavior patterns of someone from another culture (Ibid.; and Groff, 2009).

The Dialogue of Civilizations

Another related global cultural debate was between Samuel Huntington's "Clash of Civilizations" versus the "Dialogue of Civilizations" proposed by others. Huntington hypothesized that the end of the Cold War would be replaced by a "Clash of Civilizations," and outlined his version of eight global civiliza-

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tions, where he proposed that differences between the values underlying these civilizations would lead to global conflicts dominating the world in future. (Huntington, 1996; and Huntington, Summer s' 1993) This thesis has been used by some to highlight differences between Western and Islamic civilizations—in particular Al Qaeda and ISIS, not realizing that both these movements are great aberrations in the fundamental beliefs of Islam that the vast majority of Muslims adhere to. In response to Huntington's thesis, a whole global movement arose advocating the "Dialogue of Civilizations" as the only healthy path to follow and promote in our increasingly interdependent world going forward (Groff, 2011; Groff, 2006; and Groff, 2005a).

Interreligious/Interfaith Dialogue

In addition to Intercultural Communication and the Dialogue of Civilizations, there is also a whole global movement called Interreligious or Interfaith Dialogue. Religion is both part of culture and learning, but also sometimes transcendent and based on direct inner spiritual experiences of people that go beyond social and religious learning. A few principles of interfaith dialogue—when people come together across different faith traditions to interact and dialogue with each other—include the following: (1) Be open and listen, without judgment, to the spiritual-religious views and experiences of others; (2) Don't try to convert people; (3) Don't try to create one world religion; (4) Let people speak from their own experiences within their own religion, i.e., don't say what it means to be a member of someone else's religion that you are not part of; (5) Allow the possibility of some common spirituality that connects people across different religions; (6) Realize you can enrich your own religious life and practice via being open to sharing beliefs and practices with people from other traditions, without having to leave one's own tradition; and (7) Realize that throughout prehistory and history, people have sought—via different spiritual-religious traditions—to seek some deeper meaning in life that connects them to the great mysteries of life, which search connects people across different faith traditions (Beversluis, 2000; Groff, 2005b; Groff, 2005a; and Groff, 2002).

Much global, grassroots interfaith dialogue is also occurring today under organizations such as The Council for a Parliament of the World's Religions and United Religions Initiative, along with dialogue also occurring between leaders of the world's faith traditions under the former organizations, as well as under the World Council on Religion and Peace and via Intermonastic Dialogue.

Interpersonal Dialogue

In addition to the above forms of dialogue, there is also interpersonal communication and dialogue between people on an individual level, which is also important. (Bolton, 1979; and Lasater, 2009) Principles from all the above forms of dialogue—cultural, civilizational, and religious--can also impact interpersonal dialogue in different cases.

Please note that all the above forms of dialogue—intercultural, civilizational, and interfaith—are all covered under this writer's fifth (of seven) evolving aspects of peace, i.e., Intercultural Peace, with different aspects of peace defined as visions and goals for society and the world, that if addressed would help create a more peaceful society and world and help to build cultures of peace on planet earth. (See Groff, Jan. ///2001; Groff, 2007; Groff, 2008; and Groff, 2009a; and Groff, 2009b, as examples.)

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Prayer/Meditation, Love/Compassion: From All the World's Spiritual-Religious Traditions

It is important to also mention the role of prayer and meditation in helping people to become centered and find inner peace as a way to become more peaceful in their relations with others in the world. Western religions, like Christianity, have focused on love, while Eastern religions, like Buddhism, have focused on compassion, but both involve ways to recognize one's interdependence and interconnectedness with others, including an ability to put oneself in another person's shoes or situation in the world—all things that can help to nonviolently create a more peaceful world. (See, as examples, the Dalai Lama, 2016, and Thich Nhat Hanh, 1991, and 2005, on meditation; and Merton, 2004, and 1971 on prayer.)

Summary Conclusions on Nonviolence as the Means Used to Create Social-Political Change in Support of Different Aspects and Goals of Peace

In summary, this article has shown how methods of nonviolence have evolved over time as the desired means for bringing about needed social-political change and for creating a more peaceful society and world. Thus nonviolence has evolved from individual efforts at change to a number of collective efforts, with purposive and spiritually-based practitioners, beginning with Mahatma Gandhi, leading these collective efforts, followed by strategic nonviolence in the tradition of Gene Sharp. A number of additional nonviolent methods for bringing about needed change *within* existing systems have also emerged since Gandhi's time.

For more details on all these nonviolent methods and practitioners of nonviolence, see this author's forthcoming book: *Sustainable Peacebuilding* (Groff, 2017, Part II). For good case studies on the use of Nonviolence, see Holmes and Gan (Third Ed., 2012)*;* and Ackerman and Duvall (2000), as examples.

Given the great destructiveness of modern weapons and technology today, and the ongoing occurrence of way too much violence—both within societies and internationally, it becomes more imperative than ever that we commit to resolving conflicts in nonviolent ways in our communities and in our increasingly interdependent world. If this is to occur, we must in turn work towards including the teaching of nonviolent methods of conflict resolution in our schools—to students at all levels and ages—as well as to other members of society in religious and other community organizations. We must learn to break the cycles of violence, and retaliation with more violence, by learning and committing to use nonviolent methods of conflict resolution and social change.

The future world that we will all be living and working in will be greatly impacted by whether or not humanity is able to move towards more nonviolent methods of conflict resolution. One could even say that our human survival may depend on this! In short, we must evolve our thinking and consciousness, and based on that our human behavior, if we want to create a better future for humanity as a whole, and for each and every human being on this Earth. We must wake up and consciously and responsibly make such a decision.

One final point: given that everything in the universe keeps evolving, it is safe to also conclude that nonviolent methods will also continue to evolve in future, as the world keeps changing and the types of issues needing to be addressed also keep evolving. But despite different methods of nonviolent action, one thing is clear: the future evolution of humanity depends on humanity moving increasingly to finding creative, conscious, and responsible nonviolent ways to resolve our conflicts and differences, based on a recognition and acceptance of our increasing interdependence on this precious planet Earth that we all call home!

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KEY TERMS AND DEFINITIONS

Alternative Dispute Resolution (or ADR): A movement that arose in the West based on finding alternatives to litigation (the dominant form of conflict resolution at the time), which is often adversarial and costly—both financially and emotionally. Forms of ADR include: Negotiation, Arbitration, and Mediation.

Arbitration: When parties to a conflict go to a third party arbitrator to each present their positions on the conflict to the arbitrator, who then decides the outcome.

Conflict Management: View that not all conflicts can be totally resolved, and in this case, the goal should be to try to manage conflicts, so that they don't get totally out of control.

Conflict Resolution: View originally that the goal was to resolve all conflicts and try to eliminate conflict from society. This evolved into view that conflict is part of society and life, and that the goal is instead to find better, more nonviolent, more win-win ways to resolve conflicts when they occur. Includes analysis of conflict and conflict resolution from the perspective of many different social-behavioral sciences.

Conflict Transformation: View that sometimes before conflicts can be resolved, there must be some transformation and change in how the parties to the conflict view the conflict and each other, requiring a longer-term perspectives.

Culture of Peace: A term adopted first by UNESCO (United National Educational, Scientific, and Cultural Organization) and then by the United Nations General Assembly as a goal for societies to seek to create.

Dialogue as an Alternative to Debate: Dialogue—in various forms—has become a global movement that seeks to promote greater understanding between people via listening and seeking areas of common ground—where they can be found—without requiring agreement on all issues. In contrast, debate is more adversarial and usually seeks to promote one's own position on an issue, while negating the validity of the other party's position. Dialogue can be intercultural, intercivilizational, interfaith, and interpersonal.

Mahatma Gandhi: Leader of the Indian movement for independence from the British Empire. He was the first to use nonviolence for *collective* social-political change, leading to many later practitioners of principled and spiritually-based nonviolence to go back to Gandhi to learn how he used nonviolence, so they could apply those lessons to their own nonviolent movements in their own countries—often for different goals.

Mediation: When parties to a conflict agree to ask a third party mediator to help facilitate their interactions in an effort to resolve their conflict, which may or may not occur. If the mediation leads to an agreement, then it can be followed up with a legally-binding agreement. If no agreement occurs, then the parties can return to litigation instead to resolve their conflict.

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Negotiation: When parties to a conflict come together to talk and "negotiate" directly with each other to try to resolve their conflict and differences. This may or may not lead to a formal agreement.

Nonviolence: A goal for society and the world (in contrast to violence), and also the desired means to use for bringing about needed social-political change.

Peace: The desired goals that one seeks to achieve to bring about a more "peaceful" society and world, and to help in building "cultures of peace" on planet earth.

Peace Studies: A field dedicated to the question of how to bring about a more peaceful society and world. This includes supporting goals for social justice, opportunities for all members of society, sustainable development, and other goals, as well as bringing about such needed social-political change via nonviolent means.

Principled and Spiritually-Based Nonviolence: This is when practitioners of nonviolence use nonviolence to bring about needed social-political change based on certain principles, including often spiritual principles, on which they practice their nonviolence as part of a whole philosophy of life, believing that the means used to bring about change are as important as the goals being sought.

Socially-Engaged Buddhism: A movement amongst Buddhist practitioners of nonviolence, begun by Thich Nhat Hanh, who have combined the traditional Buddhist focus on meditation and inner peace—as a precondition for peace in the world—with the goal of social-engagement and action for social justice in the world that they have learned especially from Gandhi and Western peace activists.

Strategic Nonviolence: This is when nonviolence is used as a temporary means for bringing about needed social-political change, without having to be committed to nonviolence as a whole philosophy of life (in contrast to principled and spiritually-based nonviolence). This version of nonviolence is based on the world of Gene Sharp and others following in his tradition.

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Chapter 47
Poverty Reduction, Wealth Creation, and Tourism in Ethnic Minority Communities in Mainland Southeast Asia

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ABSTRACT

This article describes how there is a debate over the benefits and costs of international tourism and engagement with international trading networks for people living in areas where poverty continues to affect a large percentage of the population. An examination of the perspectives of ethnic minority micro-entrepreneurs on the impact of tourism on their lives and communities is presented. It was found most individuals from these communities find tourism increases livelihood opportunities and neither want to be isolated from the global economy nor want to abandon their traditional cultural values; instead it is preferred to have additional the additional livelihood options which tourism creates.

INTRODUCTION: EXPLOITATION OR INCREASED OPPORTUNTIES?

There is considerable debate over the impact of foreign investment, engaging in international trading networks, and hosting tourists as a means to improve the lives of individuals living in poverty. On one side are the claims international tourism and other forms of engaging in international economic activities result in exploitation and damage to individuals and communities in developing economies (e.g., Britton, 1982; Chok, Macbeth, & Warren, 2007; Hall & Brown, 2010). While on the other side it is argued foreign investment, engaging in international trading networks, and international tourism help to reduce poverty and improve the lives of the people living in areas where poverty is widespread (e.g. Hipsher, 2013; Khaleh, Hadavi, & Zamani, 2016; Seetanah, 2011). However, these debates are normally carried out between individuals in developed economies and the views of individuals in developing economies working in the tourism industry are rarely included in these debates (Pleumarom, 2012, pp. 101-102).

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Therefore, the objective of this research article is to present the viewpoints of a few micro-entrepreneurs, who have chosen to take advantage of the opportunities international tourism and engaging in international economic activities have provided in a specific context, in this case individuals belonging to ethnic minority communities commonly referred as hilltribes working in Northern Thailand:

The major policy challenges facing developing Asia are how to sustain the rapid economic growth that reduces multidimensional poverty and is both socially inclusive and environmentally sustainable. (Heshmati, Maasoumi, & Wan, 2015, p. 1)

INTERNATIONAL CONNECTIVITY

If eliminating or reducing poverty were a simple affair, poverty would no longer be a concern globally or within Mainland Southeast Asia (SEA). Throughout parts of Asia, some amazing progress has been seen in reducing poverty and lessening its negative impact, yet all poverty in the region has not been eliminated. Studying the basic principles which have previously been used successfully in reducing poverty in some areas can be viewed as valuable guides for creating further progress in the region. The two basic principles which have generally been associated with substantial poverty reduction are integration into the global economy and the existence of a dynamic private sector.

Throughout history, engaging in trade and having personal interactions with people from different cultural or geographical backgrounds have been associated with economic development, increases in innovation, and poverty reduction while isolationism and having more limited contacts with the outside world has been associated with poverty and a lack of innovation (e.g., Bhagwati, 2004, 2005; Bhagwati & Panagariya, 2013; Srinivasan, 2009). Today, engaging in trade and having personal interactions across cultures are often achieved through becoming integrated in international trading networks, which can be accomplished through exporting, importing, or sending or receiving foreign direct investment. However, some locations due to concerns over geographic location, population size, or level of development might be less attractive places to trade with for other members of global manufacturing value chains or other international trading networks. An alternative approach to becoming involved in economic activities with individuals from different geographical or cultural background is to engage in the international tourism industry.

Engaging in international trading networks or international tourism to reduce poverty and improve standards of living could be considered as following the wealth creation approach to reduce poverty. The term wealth creation could be considered synonymous with poverty reduction (Hipsher, 2013). But our choice of phrases and terms to frame a problem can have implications on how a problem is perceived. Wealth creation is primarily accomplished though the activities of the private sector. One view is, "Poverty occurs automatically. It is wealth that must be produced, and must be explained" (Sowell, 2015, p. 177). This view implies poverty is not the result of exploitation or outside forces stripping the wealth away from the poor which would have occurred if the people living in poverty remained isolated. Instead it is assumed conditions and connections have not been created which allowed wealth creation to take place. A wealth creation approach to reducing poverty focuses on creating conditions, connections, and opportunities resulting in an increase in economic activities and personal choices as opposed to top-down approaches designed by governments or other non-profit agencies to eliminate poverty, often through redistribution of wealth.

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The concept of a wealth creation approach for those currently in poverty might deemphasise and lessen the perception of victimization and instead assumes individuals in areas of poverty have the ability to become business partners, customers, employees, and innovative entrepreneurs when presented with increased opportunities. Wealth creation assumes improvements in standards of living are created through the choices and efforts of individuals and communities when responding to new and increasing numbers of opportunities. However, the wealth creation approach does not imply the poor should simply pull themselves up by their bootstraps, and there is no role for governments, individuals, NGOs, private companies, or individuals from the outside in reducing poverty. However, this viewpoint does require a shift from a focus on mostly a top-down approach designed to rescue victims of poverty to an approach which provides additional choices and opportunities, and then allowing individuals and communities to select their own paths to their individual versions of the good life (Hipsher, 2013).

"The poor are not a homogeneous group" (Caspary, 2008, p. 92); and different individuals living in poverty often have very different individual preferences and needs. Bureaucrats, government officials, and experts from non-profit organizations have not proven to be effective in producing one-size-fits-all top-down approaches which have substantially reduced poverty or met the needs of the majority of people living in poverty, despite decades of efforts (e.g., Easterly, 2006; Hancock, 1997; Moyo, 2009; Pritchett & Woolcock, 2008; Ramalingam, 2013).

Poverty reduction approaches generally follow one of two different principles: redistribution of the wealth created in more productive communities and individuals to less productive ones, or the creation of more and better livelihood opportunities and increased productivity through economic growth and investment within the communities where poverty is widespread, the wealth creation approach. Reducing poverty through redistribution, without accompanying economic growth, has not consistently shown positive results (e.g., Easterly, 2007; Kigabo, 2010; Miller & Kim, 2015; Okidi, Ssewanyana, Betegeka, & Muhumuza, 2007; Srinivasan, 2009). However, a very strong correlation has been found between economic growth and sustainable poverty reduction, even when the growth has not been accompanied by substantial domestic or international redistribution efforts (e.g. Acemoglu & Robinson, 2010; Deneweth, Gelderblom, & Jonker, 2014; Handley, Higgens, Sharma, Birde, & Cammack, 2009; Hoang, Pham, & Ulubasoglu, 2014; Williamson, 2005; Ying, Eng, & Robinson, 2010).

Scholars, politicians, and leaders of international organizations who have studied the issue of poverty reduction in detail have often come to similar conclusions, including acknowledging a dynamic private sector creates jobs and a dynamic private sector is a vital component of nearly all sustained poverty reduction experiences (e.g., Chino, 2004; Fukasaku, 2007; Miller & Kim, 2015; Mkapa, 2010; Pietrobelli, 2007; Rodrik, 2005). Governments have a role to play in creating stable economic conditions and the rules under which economic competition takes place, but governments have not shown the ability to generate wealth as effectively as has the private sector operating in a competitive marketplace. Most tourism activities take place with the private sector.

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POVERTY REDUCTION, WEALTH CREATION, AND TOURISM IN MAINLAND SOUTHEAST ASIA

Tourism

Tourism is a composite commodity to which many industries contribute. When this is fully accounted for, tourism is the world's largest 'industry' in terms of employment and global production. Moreover, it is an industry that continues to expand. (Tisdell, 2013, p. 3)

Exporting manufactured goods has been extremely successful in creating economic growth and poverty reduction in many East Asian economics, such as South Korea, Japan, Taiwan, and China in the last century; however, this exporting approach might not be as appropriate for many emerging markets in the 21st century, especially for countries, regions, or communities with relatively small and dispersed populations. Sahli and Carey (2013) believed tourism is often associated with increasing employment, income, and economic activities, and "has been considered by many countries around the world as an alternative to the export of traded goods" (p. 623).

Income generated by tourism in developing economies is already over three times greater than the amounts received through international aid payments (Asian Development Bank (ADB), 2012a, 2012b). The tourism industry has shown it can create jobs and economic growth in the emerging markets of Mainland SEA; however there have also been criticisms of the impact of international tourism as it has been suggested much of the work is seasonal with little in the way of security or skills development for the workers in the industry (e.g., Cole & Eriksson, 2010; Holden, 2013; Muangasame & McKercher, 2015; Southiseng & Walsh, 2011). While there are also many critics of the impact of tourism on the environment and as an effective means of poverty reduction (e.g., Becken, 2015; Hall, Gössling, & Scott, 2015; Hall & Brown, 2010; Jakobsson & Dragun, 2013; Le-Klähn, 2015; Peeters & Bongaerts 2015; Pleumarom, 2012; Rutty, Gössling, Scott, & Hall, 2015; Somerville, 2012); in empirical studies and when looking at the perceptions of individuals working and living in tourist areas, tourism has more often been associated with increased livelihood options, economic growth, poverty reduction, and improved standards of living for host communities (e.g., Divisekera, 2013; Harrison & Prasad, 2013; Mihalic, 2013; Nonthapot, 2015; Ong & Smith, 2014; Uysal, Woo, & Singal, 2012). Tourism connects local communities with global markets and provides an increasing number of opportunities for private sector activities.

Tourism in Thailand

Thailand is one of the most developed mass tourist destinations in Southeast Asia and has multiple tourist attractions. (Winzeler, 2011, p. 224)

Tourism is an important part of the Thai economy. The World Travel and Tourism Council (WTTC) (2015) reported travel and tourism make an 8.6% direct contribution to the nation's GDP while the overall contribution through both direct and indirect channels is 19.2% while directly creating 2,210,000 jobs in 2014. About 70% of travel and tourism's contribution to the Thai economy come from international visitors while the remaining 30% come from domestic tourists.

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Ethnic Minorities

Southeast Asia is an ethnically very complex region. (Winzeler, 2011, p. 67)

In most countries of Mainland SEA, there are significant numbers of people who are members of linguistic, cultural, or religious groups which can be labelled as ethnic minority communities. As ethnic identity is a fluid and not always mutually exclusive concept, defining exactly who is and who is not an ethnic minority is a problematic and imprecise endeavour. ADB (2012b, p. 12) makes the case that nearly 25% of the people in the Greater Mekong Subregion (Mainland Southeast Asia) could be classified as ethnic minorities.

Hilltribes

This article concentrates on the lives and experiences of the ethnic minorities in Mainland SEA who "live in remote areas and face problems of marginality, poverty, and lack of basic infrastructure" (ADB, 2012b, p. 59) in the upland regions. The term hilltribe is commonly used to describe the groups of ethnic minorities living in remote mountainous areas of the region, and who often face many challenges which are not normally faced by members of the majority communities. The term hilltribe was first used by the British during the colonial era in Burma/Myanmar; although McKinnon and Vienne (1989) and Winzeler (2011, p. 113) felt the use of this term is not really appropriate as it brings to mind a negative image of primitive and backward peoples. The negative or exotic implications coming from using this term can influence how governments and outside agencies approach creating policies affecting these minority groups. Nevertheless, as the term has become commonly used both within the region and internationally to identify a specific set of ethnic minority communities living in the uplands throughout SEA, it is used in this article while acknowledging the possibility of the inappropriateness of this term.

Osborne (1990, p. 54) found throughout Mainland SEA there has been a fairly recent practice of distinguishing between the majority populations who mostly live in the lowlands and the minorities mostly living in the highlands, although historically this distinction was not as clear cut and therefore current specific ethnic identities and labels are often fairly modern creations. Due to differing agricultural techniques, individuals living in the highlands have traditionally been more nomadic than people living in the lowlands and therefore have been less adaptive in adjusting to the fixed national borders brought about by the European colonial expansion into the region (Kammerer, 1989). Kammerer also pointed out extensive anthropological research on ethnic minorities in the region has focused mostly on ethnic differentiation and identification, yet "…the role of ethnic identity may differ from community to community…" (p. 265). Therefore, the emphasis on specific "tribal" identities and use of mutually exclusive labels might not always accurately reflect the complex ethnic self-identification of the people living in these communities. McGee (2011) made the point that much of our understanding of ethnic minorities in the region has been colored by assumptions these rural people are less open to change and innovation than are individuals from the majority populations in the region. Yet these stereotypes might not always be accurate; although the concepts of change and innovation might be thought of and implemented in a unique manner by the people living in the specific geographical, cultural, and economic environments found in the highlands of Mainland SEA.

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Development in Ethnic Minority (Hilltribe) Communities

Members of hilltribe communities tend to have much lower incomes and are more likely to live in poverty than are members of ethic majority populations throughout Mainland SEA. Therefore, governments from around the region have often attempted to create programs to force changes in livelihoods and lifestyles upon ethnic minority groups to increase incomes, but usually without much success (Baird, 2011; Daviau, 2011; Gros, 2011; McKinnon, 2011; Mellac, 2011; To, 2011). However, when left to their own initiatives, members of ethnic minority communities have shown the ability to make their own choices and adapt to new technologies and opportunities, while retaining the most prized parts of their native cultures. For example, Akha and Tai Lue farmers in China have integrated into the global rubber supply chain, even going so far as outsourcing some production to relatives in Laos, which has significantly increased incomes in the communities (Sturgeon, 2011).

Forsyth and Michaud (2011) felt most members of ethnic minority communities in the region are not stuck in a time warp and do not want to remain completely isolated and segregated from the rest of the world; and in fact, are heavily influenced by external forces, such as government programs within the region and global markets, as well as by various internal individual and group motivations. There is great diversity across the different ethnic minority groups as well as diversity in individual values and ideas within each group about the desirability of further integration into national or global communities. This diversity would appear to have made it difficult for top-down government-led generic programs aimed at improving lives of multiple communities or individuals using a single set of approaches to be effective.

Tourism, Entrepreneurship, and Preservation of Ethnic Minority Cultures

The ethnic minority communities living in the highlands of Mainland Southeast Asia have traditionally relied on agriculture as well as hunting and gathering activities to support themselves. Most of these ethnic minority people live in regions which are mountainous, sparsely populated, and distant from seaports. Therefore, manufacturing companies tend to avoid operating and creating jobs in the areas where these communities live. Also, environmental concerns are putting pressures on these communities to abandon their traditional slash and burn agricultural practices, as well as limiting opportunities for hunting and gathering, resulting in the increased importance of finding additional livelihood options.

One of competitive advantages these communities have in the tourism sector comes from the fact seeing ethnic minorities and their exotic dress and lifestyles are often important features attracting tourists to visit remote locations in Mainland SEA (Trupp, 2014a; Phommavong & Sörensson, 2014; Swain, 2011, Winzeler, 2011, pp. 229-237). In a study of the effects of tourism in an ethnic minority community located in Mae Hong Son Province in Northern Thailand, Lortanavanit (2009) found when left to the private sector, "Tourism helped the locals, both directly and indirectly, to improve their quality of life without radically transforming it" (p. 159). Other studies in the region show tourism creates both opportunities and challenges for local ethnic minority communities, but the perceived benefits from the perspective of the members of the hilltribe communities appear to outweigh the perceived problems created (Trupp, 2014b). Although tourism activities do tend to provide more livelihood opportunities for women, who are expected to wear traditional costumes, and the young, than for men and more mature members of the communities (Ishii, 2012).

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Ethnic Minority Entrepreneurs in Northern Thailand

When exploring the impact of the international tourism industry or government policies, the ideas and perspectives of lower income families and individuals whose lives have been most affected by private sector investment in the tourism industry are not always considered (Truong, Hall, & Garry, 2014). Therefore, an exploration of the experiences of a few individuals affected by international tourism was conducted. The following reports are based on interviews with ethnic minority entrepreneurs selling products at tourist attractions in Chiang Rai province in Northern Thailand.

Research Methodology and Methods

An exploratory qualitative research approach was taken as this approach is considered appropriate when exploring an understudied phenomenon (e.g., Eisenhardt, 2002/1989, p. 12; Miles & Huberman, 1994, p. 35; Poggenpoel, Myburgh, & van Der Linde, 2001). Therefore, the goal of the study is not to find specific answers to specific questions, but to explore, take the first step in theory development, and create hypotheses or proposals to be used in further and more specific research projects (e.g., Cooper & Schindler, 2003, p. 62; Marshal & Rossman, 1999, p. 41; Yin, 1995, p. 5). The population for the study is ethnic minority micro-entrepreneurs in Mainland SEA while the sample was taken from ethnic minority-entrepreneurs in Northern Thailand due to issues of access and convenience. Due to the informal nature of micro-entrepreneurship in developing economies, using some form of random sampling to find a representative sample was not feasible, therefore a convenience sampling method was used. Semi-structured interviews were employed as a data collection technique as considered appropriate when following an exploratory approach (Cooper & Schindler, 2003, pp. 62, 146, 409; Robson, 2002, pp. 270, 311). Names of the participants have been changed when reported in this study to avoid creating possible problems for the participants.

Interviews With Ethnic Minority Micro-Entrepreneurs

Apoe works selling souvenirs outside a temple in the mountains where tourists, sometimes foreign but more often Thai, visit when traveling in the northern part of Chiang Rai Province. Apoe comes from a village in Chiang Rai Province not far from where she works. She thinks tourism benefits her local community as it creates jobs, such as sewing traditional style clothing which can be sold to tourists. She believes tourism helps maintain the creation and use of traditional style clothing and bags, but engaging in tourism industries can also spark innovation as new products and production techniques are combined with traditional styles to create products tourists think are both authentic and fashionable. She felt Chiang Rai had many interesting tourist attractions, as well as nice weather and beautiful natural scenery, and the creation of tourist attractions, by the government and local businesses, was important in bringing tourists into the region and creating new livelihood opportunities. She responded that if she was not selling souvenirs to tourists she would probably be planting vegetables in her mountain village.

Pilawh also comes from a village in the Chiang Rai province of Thailand and works outside the same temple as Apoe. While officially his business competes with Apoe's, there is more a sense of cooperation than competition as all the entrepreneurs selling food, drinks, or souvenirs to the tourists in this

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area are from the same Akha village. Pilawh sells silver jewelry, clothing, and other items to the tourists who come to visit the temple. For the most part he enjoys his job, but it does involve a lot of slow time waiting for tourists, who often arrive by the busload. He enjoys the freedom of being self-employed and the opportunity to be his own boss in a business outside of his village, an opportunity that tourism brought. He felt if he was not running a business of this kind, most likely he would be an employee of someone else.

Mii Chuu sells souvenirs at a royal development project in Chiang Rai province in Thailand. Mii Chuu says she makes enough money to earn a living while the work is not as hard as being an employee for someone else. If sales continue to increase, she hopes to expand the business. She believes tourism is beneficial as it provides local people an opportunity to create micro-businesses catering to the needs of the tourists. As the location, she works at is government funded, she appreciates the help the government has given by creating tourist attractions which bring in customers which entrepreneurs, such as herself, rely on to earn a living. If she was not selling souvenirs in her own business, she thinks she would probably be working growing coffee in the mountains near her home town.

Michu grew up in the Yunnan province in China but she is considered ethnically to be basically the same as the members of Akha communities in Thailand and is not considered an outsider or foreigner within her community. She is now working selling tea and coffee grown by members of various hilltribe communities, including in Yunnan and Laos, to tourists at a royal project supported by the Thai government. She feels this project opens up additional markets for the growers of tea and coffee in the region. When tourists come to visit this project, they learn more about her culture and often want to take home products associated with the local community, such as tea and coffee. She believes being a royal project associated with the Queen helps bring in more domestic tourists and therefore more customers for the small businesses operating in or near the royal project. She felt if she was not selling coffee and tea to tourists, she would be at home raising chickens and growing vegetables. She felt this particular project and tourism in general have increased her opportunities and improved her standard of living.

Gao owns a small stand, where she sells locally grown food items such as honey, tea, and fruits, outside of a major tourist attraction in Northern Thailand. Gao is ethnically Akha and she originally comes from the province of Chiang Rai, close to where she is currently working. Previously she worked in a food processing factory, and if it were possible, she would like to work in a company in a nice air-conditioned office, but she thought she lacked the education or experience for that type of employment. The thing she likes most about her work is the freedom that comes with the job, if she needs to take a day off to take care of personal or family obligations she can do so without having to ask for permission, and the money she earns helps support her family. She thought if this option were not available, she would probably be working in a factory or a farm. While most of her customers are Thai, she does meet foreigners and she thinks tourism, both international and domestic, not only helps her to earn more money, but it is also good for the local economy and her community.

Pawn owns a shop in the same general location as Gao's stand, which sells souvenirs and ethnic style clothing associated with the hilltribe communities of the region. She is ethnically Lawa and prior to owning this small business she provided babysitting/child care services in her home village. Much like Gao, she enjoys being her own boss. She started working as an employee in a similar shop, but as she gained experience and confidence, she started off on her own and set up her own shop. She has grown her business over the past 8 years and now she makes a comfortable living for herself and her family. Most of her customers are Thai with many of them coming from Bangkok, and to the ethnic minority populations of the region, these customers are seen as coming from a culture almost as different as do

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customers from China, Japan, Europe, or other foreign locations and therefore the distinction between foreign and domestic tourist is not clearly acknowledged by many of ethnic minority entrepreneurs in the area. She likes tourists, especially Thai tourists, to come to the region as visitors are the source of her livelihood.

Ba has a job working as a paid laborer on a coffee plantation in Northern Thailand, but when she has time off, she often goes to the same area where Gao and Pawn have set up their businesses to sell locally grow products to add to her income. Her salary as a paid agricultural employee is not very high, and having the opportunity to make a little extra by selling to tourists on her days off allows her to improve the standards of living for herself and her family. Ba comes from the Akha community and has limited skills in speaking English, Chinese, or Thai (much of the interview was conducted using her children who attend a Thai school and therefore can speak Thai as interpreters), limiting her ability to sell large quantities of items, thus she has decided to keep her paid employment as opposed to trying to become a full-time micro-entrepreneur. She enjoys seeing people coming to visit the mountainous regions of Northern Thailand where she and other members of her community originate and continue to make their homes, and she felt the additional options to sell local products to visitors helped her and other local residents improve their standards of living.

Mayju is also from the Akha community, originally coming from the Chiang Rai providence, where she still lives and works. She owns a small business selling hilltribe themed souvenirs and clothing to tourists in the same location as Gao, Pawn, and Ba. Prior to starting this business, she worked on her own small farm in the mountains growing coffee. She felt she was too old to engage in strenuous farm work but did not have the resources, or desire, to completely retire so she joined other members of her community in becoming a micro-entrepreneur selling various items to tourists near a government sponsored tourism attraction. If she was not doing this work, she felt she would probably just stay on the farm and do light chores while caring for her grandchildren. Recently she has noticed a large increase in Chinese tourists, but these tourists rarely bought much from her and she mostly sold to tourists coming from other parts of Thailand. She felt her lack of education and foreign language skills limited her livelihood options, but she was contributing to the family's finances and the work was not physically demanding. She said she enjoyed the freedom of being her own boss while there were plenty of opportunities for socializing during slack periods. She is grateful the government created this tourist attraction in the region she lives in as it helps her earn more money and she thinks tourism is good for the entire Akha community.

ANALYSIS

As an exploratory study, the results of the research are intended as a starting point for future more specific research and therefore the findings should not be considered as being representative of the population under study. But a number of propositions are presented based on these initial findings. In analysing the interviews, it can be observed each person interviewed believed tourism was beneficial to both themselves and their communities. Other results show individuals had other livelihood options and each person had his or her own unique motivations and reasons for becoming micro-entrepreneurs. Another observation showed these micro-entrepreneurs were primarily engaged in selling products associated with their culture and were using their cultural heritage as a competitive advantage instead of trying to compete with businesses which sell more general items.

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Proposition 1: Ethnic Minority Micro-Entrepreneurs in Mainland SEA Choose Entrepreneurship Primary Due to the Lack of Other Livelihood Opportunities

Studies in less and least developed economies show micro-entrepreneurs are often pushed into starting a micro-enterprise due to the lack of availability of paid employment (e.g., Kalantaridis & Labrianidis, 2004; Kristiansen, 2002; Pitamber, 2000). These micro-entrepreneurs could be considered as creating their own jobs as opposed to being pulled into starting a business by opportunities to achieve a high level of professional success (Hipsher, 2010). The micro-entrepreneurs interviewed in this study for the most part appeared to be pushed into starting a micro-business due to the lack of opportunities for quality paid employment and the difficulties in earning a living in agriculture. Being considered outsiders by the majority populations might make taking advantage of formal employment opportunities in the tourism and other sectors more difficult for members of ethnic minority communities, thus making entrepreneurship a more attractive option.

Micro-entrepreneurship is frequently the livelihood option chosen in many areas where poverty is widespread due to the lack of employment opportunities, and large numbers of tourist arrivals increases both employment and micro-entrepreneur options, especially for individuals without high levels of education or specialized skills. Further regional integration and increases in tourist visits would be expected to provide additional livelihood opportunities for ethnic minority communities living in remote regions. Tourism allows local residents to create wealth locally through integration in the global economy.

Proposition 2: Opportunities in the Private Sector Will Be More Effective in Reducing Poverty in Ethnic Minority Communities in Mainland SEA Than Government Programs

Projects designed by outsiders to force local people in the mountainous regions of Mainland SEA to change their lifestyles have generally been resisted and have not significantly improved the lives of the people in these regions. However, when presented with new livelihood opportunities, the people in these regions have responded and have made intelligent choices which have helped reduce levels of poverty and increase living standards in their communities.

Proposition 3: Tourism Creates Opportunities to Strengthen Ethnic Identity While Engaging in International Trade and Intercultural Relationships in Ethnic Minority Communities in Mainland SEA

Attempting to retain one's ethnic minority identity while integrating into the broader economy can be a difficult process; partially due to the hilltribe communities' unique social and cultural ideas and values not always being accepted by members of the majority communities (McKinnon & Vienne, 1989). However, as expressed by those interviewed, opportunities coming from the tourism sector may provide opportunities where individuals and communities can make their own choices about how much to integrate culturally while engaging with the broader world to create economic opportunities.

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Proposition 4: Tourism Can Help Reduce the Level and Impact of Poverty in Ethnic Minority Communities in Mainland SEA by Allowing Wealth to Be Created Locally

Each individual and community is unique and each has a unique set of values and vision of the good life. Trying to impose outside values and ways of living on others rarely produce the desired results. Instead, it may be better to offer additional opportunities which individuals can choose or reject after evaluating the benefits and costs of each opportunity. If the new opportunities presented by the increases in tourism into the region are less attractive than pre-existing opportunities, the new opportunities will not be selected. As many individuals and communities have chosen to engage in tourism activities it indicates these individuals and communities believe the benefits coming from international and domestic tourism outweigh the costs.

CONCLUSION

It is not being suggested tourism alone will eliminate all poverty in ethnic minority communities in the mountainous regions of Mainland SEA. However, having more livelihood options is always better than having fewer. The introduction of livelihood options in other industries or sectors of the economy would be expected to also have positive effects, but ethnic minority communities living in the uplands of Mainland SEA might have more comparative advantages in tourism than in many other industries. Tourism creates wealth locally, and therefore reduces poverty through wealth creation which is expected to be more effective than relying on redistribution or other efforts controlled by outsiders.

Ethnic minority individuals and communities have the right to decide for themselves to what degree they wish to integrate into global value chains, what aspects of modern life to accept, and what parts of traditional cultures to retain. It would not appear the majority of ethnic minority individuals and communities in Mainland SEA want to either completely isolate themselves from the modern world or to totally assimilate into the majority cultures. Tourism might provide an attractive alternative where ethnic minority individuals and communities can retain and strengthen their ethnic identities while engaging with global economic forces. Further and deeper research on the topic is encouraged.

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Chapter 48
Digital Entrepreneurial Charity, Solidarity, and Social Change

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ABSTRACT

Microcredit has been studied from many perspectives. In this work, the authors analyze KIVA, the most important Person-to-Person microfinance organization from the viewpoint of social change, and they consider how it has impacted on the nascent of a new wave of entrepreneurs known as digital entrepreneurial charity. Applied to KIVA, the authors analyze the impact of the digital space and its Internet-based Peer-to-Peer Lending to create social change in the poor, while alleviating the poverty thanks to solidarity and charity. This work concludes affirming that banking the poor and education, with the intensive use of Internet-based devices, is the best way to alleviate poverty in the digital and globalized economic world. Finally, after their last research, the authors found some critics about Kiva and microcredits which might be interesting to be considered and these have been analyzed at the end of this work.

INTRODUCTION

The nascent field of microcredit is growing rapidly and attracting increased attention from many sectors. There is something inherently attractive and appealing about microfinance and increasingly new stories as KIVA. These extraordinary people, who started helping others after the seminal work carried out by the Nobel Peace Prize laureate Muhammad Yunus, came up with brilliant ideas, and against all the odds, succeed at creating new products and services that dramatically improved people's lives.

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We can define KIVA as a collective movement based on solidarity and generosity with the final scope of achieving social change based a new entrepreneurial movement. As a result, we have analyzed as a background the principles of microfinance as a way of alleviating poverty, but also for impulsing social change derived from:

1. A financial approach and the banking of poverty
2. An increasingly used Digital Space and its Internet-based Peer-to-Peer Micro-lending
3. An entrepreneurial-based approach based on solidarity
4. Organizational dynamics
5. Virtuous Approach

As a result, and using this in-depth study, it has allowed us to focus on Kiva.org or the Social-on-Linezation of poverty.

Can KIVA experience and success be applied to other NGOs? What is the impact of ICT on microfinance? What are the advantages using Joint Liability Lending? To answer these questions, the objective of this work is to analyze how the strategy and the good results obtained in KIVA can serve as learning from practice to other NGOs pursuing similar goals. Our work begins describing the theoretical background that exists on this issue. Then the model of KIVA's loan cycle will be described to analyze the impact of the digital space through this case study. Finally, future research directions and conclusions will be added.

THEORETICAL BACKGROUND

Alleviating the Poverty: Main Global Initiatives

Before understanding the deepness of the case of KIVA within its social-on-linezation of poverty, it does make important to comprehend what is poverty and the principles of microfinance which underlines as a new wave of alleviating the poverty. According to the World Bank Group (n.d.), there are an estimated 2.5 billion financially excluded adults today, with almost 80 percent of those living under $2 per day, and having no accounts at formal financial institutions. This matter holds back the fulfillment of the World Bank Group's goals of eradicating extreme poverty by 2030 while increasing the share of income held by the bottom 40 percent of the population. The World Bank's Global Financial Inclusion Database (Global Findex) reports that three-quarters of the world's poor lack a bank account, because of poverty, costs, travel distances and the often burdensome requirements involved in opening an account. As a result, this population does not have a current account's holders. Only 25 percent of adults earning less than $2 a day have saved money at a formal financial institution. Being "unbanked" is linked to income inequality, so they are exposed to be victims of loan sharks.

On the other hand, from micro, small and medium-sized enterprises (MSMEs) perspective, there is still a lack of access to credit and savings services that would enable them to grow. Indeed, and according to the World Bank Group (n. d.), about 200 million formal and informal businesses in developing countries lack the financing they need to grow, with a funding shortfall of $2.1 trillion to $2.6 trillion for MSMEs in developing economies. As a result, business growth is inexistent in many cases, and a

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survival economy is created. So, in the poorest countries arise populist political movements based on a strong state intervention, even tending toward dictatorship, which further impairs the development and financing of these companies.

In this scenario, over the last few decades and from private sector, we are seeing an increasing growth of different types of financial-services providers for poor people offering new possibilities, such as non-government organizations; cooperatives; community-based development institutions, like self-help groups and credit unions; commercial and state banks; insurance and credit card companies; telecommunications and wire services (World Bank, n. d.); post offices; and other points of sale. But all this type of new services targeted towards future clients is valid for emergent countries only, so the poor continue in the same situation in countries and regions mainly on the African continent.

Other initiatives have been coming up with from developed countries, and in particular:

1. The well-known G-20, which has made financial inclusion a permanent policy priority by establishing the Global Partnership for Financial Inclusion (GPFI), which includes the World Bank Group (WBG), the International Finance Corporation (IFC), and the Consultative Group to Assist the Poor (CGAP)1 and
2. The Alliance for Financial Inclusion and the Organization for Economic Co-operation and Development (OECD) which have been designated as implementing partners.

Principles of Microfinance

Regarding this new wave of possibilities, it posed the microfinance as one of the most effective means of poverty alleviation whose principles (Ramírez & Anderson, 2007) base on:

1. Poor people need a variety of financial services, not just loans
2. It is a powerful tool to fight poverty by poor people earning more, build their assets, and cushion themselves against external shocks
3. It means building financial systems that serve the poor. Indeed, although microfinance is often seen as a marginal sector—a "development" activity that donors, governments, or social investors might care about, but not as part of the country's mainstream financial system, microfinance can reach the maximum number of low-income clients only when it is integrated into the financial sector
4. Microfinance can pay for itself, and must do so if it is to reach vast numbers of poor people. Achieving sustainability means lowering transaction costs, offering more useful services to the clients, and finding new ways to reach more of the unbanked poor
5. Micro finance is about building permanent local financial institutions. Which need to attract domestic savings, recycle those savings into loans, and provide other services;
6. Microcredit is not always the answer. In many cases, other tools will alleviate poverty better—for instance, small grants, employment and training programs, or infrastructure improvements;
7. Both interest rate ceilings hurt poor people by making it harder for them to get credit, and the scarce and uncertain supply soft money from donors or governments should be avoided, as they usually set them at levels so low that microcredit cannot cover its costs;
8. The role of government is to enable financial services, improving the environment for "micro-businesses" and access to markets and infrastructure, and not to provide them directly, and finally,
9. Donor funds should complement private capital, not compete with it.

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All these principles are summed up in just one phrase: 'the poor know that credit is their only opportunity to break out of poverty' (Yunus, 1999: 59). Credit loans granted individually or in groups (Joint Liability Lending) to bring social and economic changes in the short term, and these effects are stronger when directed to women. Poor women are often more conservative in their investment strategies and are often more easily swayed by peer pressure and the intervention of loans officers, making women more solid bets for banks worried about repayment (Armendáriz & Morduch, 2007). Besides, women are more concerned about children's health and education than men, and they are usually over-represented among the poorest of the poor and are too often oppressed by their husbands and by prevailing social norms. As a result, they are more socially vulnerable.

MICROFINANCE, SOCIAL CHANGE, AND FINANCE: THE "FINANCIALIZATION" OF POVERTY

One effect of conceptualizing poverty in financial terms is that it enables the 'financialization of development' (Roy, 2010, p. 31). Roy uses this term to refer to the integration of the world's poor into global financial markets, especially by way of the Consultative Group to Assist the Poor's (CGAP) version of microfinance. But still, the academic literature on conceptualizing poverty from financial perspective remains inconclusive. For instance, as we have seen before, the World Bank's global poverty line has an 'essentially mono-dimensional conception of "extreme poverty" (as lack of income or consumption)' (Edward, 2006, p. 381) by defining the extremely poor those who live under $1/day and as poor those who live under $1.25/day, giving, therefore, exclusively a financial indicator. Financially speaking, the need for broader definitions of poverty is quite clear, being necessary to analyze a multidimensional character of poverty. This multifaceted approach we can be seen on microfinance when, not only does it enable the creation of 'social value maximization of the disposable income of the poor' (Chun, 2005, p. 14) but also microfinance is being one of the effects of poverty's process of banking, too.

Taking into account this multidimensional approach, it makes essential:

1. Understanding of poor people's financial profile through methodologies ranging from financial diaries to ethnographic research and in particular, being the poor people made knowable not just low income, but also fluctuating and unpredictable income, which forced them to develop sophisticated money management skills centering on borrowing and saving (Collins et al., 2009, p. 3);
2. New financial values, based on financial literacy education which is the forefront of any poverty alleviation initiative.

According to a World Bank (n. d.), financial literacy has come to play an increasingly prominent role in financial reform in both developed and developing countries2. These training initiatives are focused on expanding poor people's knowledge of formal financial services, budgeting, and asset building. Indeed, promoting savings is a central component of financial literacy strategies, working to inculcate practices of planning for the future rather than succumbing to day-to-day struggle (Ilcan & Phillips, 2010).

To sum up, the social change of microfinance from financial approach is observing the poverty from a multidimensional perspective:

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1. Showing that poor fiscal subjects are also rebranded as financial consumers, being targeted by the marketing of formal financial instruments designed specifically for them. —indeed, microfinance has captured the corporate imagination of global financial giants like Citibank and Deutsche Bank, who see the potential for profits to be made at the next financial frontier (Roy, 2010), and
2. Researching the poor people's lives while educating and promoting financial values by creating financial schemes which take the social, cultural and religious complexities of poor people's lives into account.

Social Change and Digital Space: Internet Peer-to-Peer Micro-Lending

Moving towards new forms of lending beyond the traditional microfinance literature, we found the Internet Peer-to-Peer literature where, instead of specifically being the loan associated with group borrowing, it highlights new forms of Internet-based Peer-to-Peer micro-lending based on technology (Chae et al., 2016; Lu, Wang & Li, 2016; Cha, Yang & Kim, 2016; Jung et al., 2016) or social sciences (Li, Park & Park, 2016; Carr et al., 2016). Obviously, there is a lot of controversies, as long as these forms of lending are similar to online shopping (Hartley, 2010). We refuse this consumer-focused conception, as the primary objective of this Internet Peer-to-Peer micro-lending is to help others, so social values prevail over economic ones.

Meanwhile, although we analyze later the Case Study of KIVA on the online peer-to-peer micro-lending landscape, the Internet-based peer-to-peer micro-lending has become an increasingly prominent global means of capital acquisition, and also an increasingly popular form of crowd-sourced microfinance (Hartley, 2010). Thus, differing in its mission and scope, we observe a significant number of lending institutions which exist alongside Kiva.org such as

1. Prosper.com, launched in 2006, is the pioneer in the Internet-based peer-to-peer micro-lending, allowing individuals to provide capital to borrowers in need while concurrently obtaining interest on their investment. Within Prosper, borrowers can request between loans of between $1,000 and $25,000, and stipulate terms under which they'd be amenable to borrowing, While Prosper provides loans to individuals in need, much of the site dedicated to lenders;
2. Similar to Prosper.com and touting its ability to provide online matching of savvy investors and smart borrowers, there is another institution named as Lending Club which also offers lenders the opportunity to, while assuming some managed risk, earn a return on their investment. Borrowers with a sufficiently high credit score can seek personal loans for amounts between $1,000 and $25,000 online;
3. Accion.org which is a private non-profit umbrella microfinance institute under which Acción USA, the Acción Network, iLab, EB-Acción Savings and Loans, and Center for Financial Inclusion at Acción International operate. Established in 1961, Acción has been a global leader in microfinance since 1973. Its business model is sustainable thanks to borrowers pay interest on loans sufficient to cover the expenses of credit creation, though remunerative returns are not provided to the lender; and finally,
4. TrickleUp, Global Giving, Grameen Foundation, UniThrive, among others.

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In the end, all these Internet based Peer-to-Peer micro-lending platforms have on shared that they have other motivations beyond the "Solidarity" lever and the Social change as neither they do provide zero-interest loans to borrowers in need or they are uniquely international.

Microfinance, Social Change, and Entrepreneurship

It has long been argued that an organization's entrepreneurial approach is positively associated with some organizational outcomes related to growth and success in the microcredit environment (e.g., Moss & Meyskens, 2015; Wiklund & Shepherd, 2005), which consists of

1. **Autonomy:** Where individuals or teams can act independently to foster new ideas and bring those to fruition (Lumpkin & Dess, 1996), is free to pursue new opportunities without being constrained actively. The outcomes of autonomy are quite clear such as innovation, the creation of new businesses, and organizational effectiveness;
2. **Competitive Aggressiveness:** As several offensive tactics aimed at gaining a strong competitive position, or aggressive reactions intended to maintain a position in the face of a substantial threat from industry rivals (D'Aveni, 1994). According to Prahalad and Hart (2002) and comparing to the developed world's micro-enterprises, the developing economies' micro-enterprises are harder to survive due to the scarcity of resources their survival;
3. **Innovativeness:** With consequences similar to the previous concept of autonomy, as it means the propensity of companies to introduce new products, processes, and routines resulted from experimentation and creativity (Lumpkin & Dess, 1996) and committed to disrupting current market conditions by stimulating new demand or creating novel resources combinations;
4. **Proactiveness:** This which means anticipating changes forth coming in the environment and position themselves in advance (Lumpkin & Dess, 1996). For instance, organizational initiatives through crowdfunding, such as KIVA, has allowed microfinance to become a globalized phenomenon, placing opportunities within reach of micro-enterprises (Zahra, Newey, & Li, 2014) and finally;
5. **Risk-Taking:** By reflecting the capacity and comfortability in launching new, bold, and often costly action in the face of considerable uncertainty (Moss & Meyskens, 2015).

At this respect, Mossand Meyskens (2015) affirms that micro-businesses which have entrepreneurial attitudes will be perceived presumably as more desirable investments, and therefore, in our view, these will be more proactive to promote social change. Social change based on building and executing robust business models, which will lead to revenue growth and profitability. This entrepreneurial spirit among KIVA borrowers can be observed in the importance of the micro-businesses supported by KIVA (more than 60%), and the active collaboration with more than 300 field partners located in 84 countries and 450 volunteers around the world. When applied this entrepreneurial spirit of business, two more concepts are born:

1. **Social Entrepreneurship:** When all efforts are focused on ameliorating the standard of living of the population influenced by the entrepreneur, and
2. **Social Business:** When mature companies use Corporate Social Responsibility (CSR) and ethics to benefit the population at risk of social exclusion, or even in social exclusion derived from economic poverty and social rejection.

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Microfinance, Social Change, and Organizational Dynamics

Since the 1976 founding of Grameen Bank, lending to groups has become an increasingly popular tool for poverty alleviation. It has also become a widely studied phenomenon from Organizational dynamics and in particular, the potential for loan default behind these dynamics. Capital provided to groups who – through having mutually re-enforcing loans– put internal pressure on those likely to default to maintain their credibility. Therefore, the theory and practice behind group lending are fundamentally both for peer pressure encouraging repayment and a way of cutting back on transaction costs associated with loan distribution and collection.

"Group lending" within microfinance literature therefore typically refers to a single lender – often a microfinance institution (MFI) –providing capital to groups of borrowers rather than groups of lenders providing capital to one borrower. On the borrower's side, microcredit institutions employ various institutional structures to provide loans to group-based borrowers3.

The problem is that this literature is predominately focused on borrower-side dynamics with the goal of lowering borrower default rates –more traditional forms of microfinance, rather than the nascent field of Internet-based peer-to-peer micro-lending (Hartley, 2010) based on lending-side dynamics.

Therefore, before looking into the Case Study of KIVA and according to Hartley (2010), we will outline the main characteristics of these novel lending-side dynamics which are many-to-many platform named as "crowd-sourced" microfinance, improving the outcome thanks to the homogeneity of the group (Hermes, Lensink, & Habteab, 2006)

Microfinance, Social Change, and the Virtuous Approach

One of the highlights of social change rooted in microcredits is its revolutionary orientation to organizational virtue, defined as "ethical character traits that are learnt from an accumulative perception of a firm's behaviors in everyday business life, that drives internal and external stakeholder satisfaction, and that is aligned with its ethical values used for strategic positioning" (Chun, 2005, p. 272), and is an integrated set of beliefs that inform the organization's moral traits and virtuous behavior.

According to Payne et al. (2011), an organization's virtuous approach can impact on:

1. The organization's processes, methods, and decisions (Cameron, Bright, & Caza, 2004) and how they conduct their operations (Moss & Meyskens, 2015), and
2. The manner in which it outlined itself to its stakeholders.

This virtuous approach strengthens when social values are being incorporated into it, generating a broad social impact, mainly on the poor. As a result, a kind of private-public cooperation is created, which causes positive externalities.

The character traits associated with organization's virtuous approach has been analyzed by numerous researchers (e.g., Murphy, 1999; Shanahan & Hyman, 2003; Solomon, 1992, 1999). In this respect, Paine (1991) includes principles such as honesty, fairness, reliability, trustworthiness, and commitment to others. Traits which are deeply developed by Chun (2005), and Moss & Meyskens (2015) by providing an empirically verified list of six dimensions of organization virtue, namely:

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1. **Conscientiousness:** The extent to which an organization can be considered dependable and hard-working (Barrick & Mount, 1991)
2. **Courage:** The attainment of success in achieving a desired goal or objective and the level of effort taken to accomplish the outcome (Harris, 2001)
3. **Empathy:** Portrayed by the ability to perceive or consider the feeling of others (Sawyer, 1975)
4. **Integrity:** The trustworthiness and honesty of an individual or organization (Butler & Cantrell, 1984)
5. **Warmth:** Characterized by open and pleasant expressions of courtesy, friendliness, and generosity to others (Chun, 2005)
6. **Zeal:** An organizational virtue described by including elements such as humor, excitement, passion, or fun

This research has also been analyzed to improve the micro-enterprises' performance. For instance, in the case of conscientiousness, conscientious employees are more likely to have a calling orientation in their work and are thus more productive (Wright & Cropanzano, 2004). Besides, with conscientiousness empathic microenterprises are concerned, reassuring, supportive, and sympathetic. As a result, empathic organizations are thought to have higher stakeholder satisfaction (Chun, 2005) by creating a social capital defined by trust and cooperation. Both factors are vital for baking the poor.

Referred to the microcredit environment, an organization's virtuous approach will likely increase lender confidence, which will increase the likelihood of funding (Moss& Meyskens, 2015). The assurance of this donor confidence will invite others to lend, so a virtuous circle is created. In fact, microfinance is one of those small ideas that turn out to have enormous social and economic implications, as this lending movement has grown, particularly in Asia and Latin America, through cross-pollination thanks to the Internet. As a result, and by recognizing its energy and activity, the United Nations designated 2005 as the International Year of Microcredit.

THE KIVA.ORG ICT-BASED MODEL: THE "SOCIAL-ON-LINEZATION" OF POVERTY

Based on Information and Communication Technologies (ICTs), Kiva.org (KIVA) as the world's first Peer-to-Peer micro-lending website has seen incredible growth over the past years. Media exposure such as an appearance on the Oprah Winfrey Show and a mention in Bill Clinton's book, *Giving*, resulted in an enormous number of lenders coming to the KIVA website in hopes of lending money to entrepreneurs in the developing world.

In 2005, KIVA introduced microfinance to the Internet, and since then, has created a global community of people connected through lending. By partnering with microfinance institutions (300 field partners) in over 84 different countries, 1,395,969 KIVA lenders, $831,829,700 in loans and a 98.36% repayment rate (Kiva, n. d.), KIVA has given small businesses in developing countries the opportunity to grow and thrive. The company's microfinance partners post profiles of loan applicants on the website, where anyone with a credit card and an Internet connection in United States, Canada, Japan, Europe, and beyond, can provide small loans to the businesses of their choice. Loans conceded depending on local ONGs as they make a selection of aid applicants.

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KIVA's Social Change Indicators

Before analyzing social change from previous quoted approaches, first of all, we should measure what social change is and how it works from KIVA perspective. Social change is defined by KIVA as a way to "create good in the world, a lot of good," which is measured by bringing financial concepts into the social reality through social performance. According to KIVA, this social performance is "one way" that they "try to maximize the good created … by partnering with organizations that go above and beyond to generate positive outcomes for the communities they serve" (Kiva, n. d.).

Using the KIVA social indicators, which are named "KIVA Social Performance Badges," based on their "Field partners," we found out in which social change –and thus, social reality—is focused. From a KIVA perspective, this organization is focused on:

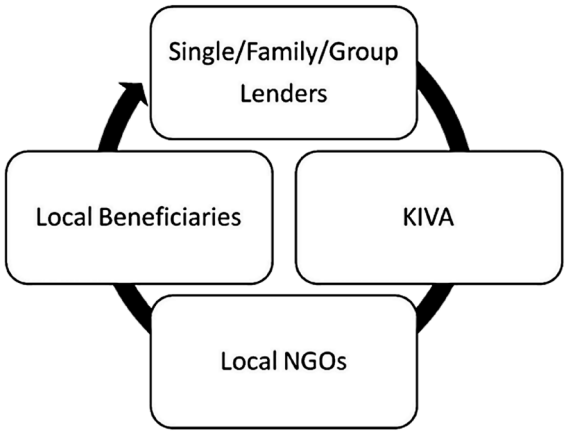
1. **Anti-Poverty Focus:** Working locally with other microfinance institutions to combat poverty
2. **Client Voice:** By serving and adapting their business practices and product offerings to meet their needs
3. **Family and Community Empowerment:** Offering support services that address the needs of their clients' families: their health, education, and well-being
4. **Entrepreneurial Support:** By training and support to help people start, manage and grow their businesses
5. **Facilitation of Savings:** By promoting savings as a practice to the people they serve
6. **Innovation:** By embracing technology and innovation to address better the needs of the people they serve

The final result of this social performance badges is to fight for a better society defined by its social justice, equal opportunities, and reduced poverty degree.

The primary tool is the KIVA's Loan Cycle, as we can see in Figure 1.

Intentionally or subconsciously people identify risks, consider their potential impacts, and develop strategies to manage them. In this sense, the poor are retaining risk oriented, as they try to avoid or to

Figure 1. Model of KIVA's loan cycle (Source: Adapted from Kiva.org web)



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share risk through groups, although their quality of living is deficient. That is why the Joint Liability Lending (JLL), especially among women, is preferred when lending through KIVA (Domen, 2011).

Most poor people, particularly those working in the informal economy and rural areas, earn and spend in cash. Banks have at least two ICT options to handle a cash transaction where there is no bank branch. They may use an Automated Teller Machine (ATM) that can accept, store, and dispense cash, or they can use devices placed at an outlet where cash is kept on hand. Both situations, however, are not at disposal in remote rural areas where microfinance has a vital role to play.

Complementary to KIVA lending, and derived from microfinance, the poor can also opt for creating basic micro-savings, medium-term commitment savings plans, endowments, and annuities, as shown in Table 1.

Regarding Table 1, microcredits are increasingly well established and are profitably practiced by specialists and more recently, by formal banks. This fact is fostered by micro-borrowing to complement the traditional systems of inter-generational care that have been used by the poor. Globalization tends to create a new medium-class society, and mainly in the BRICS (Brazil, Russia, India, China, and South Africa), the poor are being banked very rapidly. As a result, financially-based activities have emerged as investment options for investors in the Third World, such as insurance brokerages, development of efficiency-enhancing infrastructures, efficiency claims settlement companies, long-term savings custodian, and licenses for joint-ventures in third countries for successful domestic SMEs and NGOs with good microfinance operations.

The biggest problem for banking the poor is that the high cost of technology infrastructure is beyond the capacity of individual MFIs. As a result, it is necessary to find a balance between product innovation (Point of Sale (PoS) Devices, smart cards for the poor and Internet-based microfinance), local realities, and business process change, as appropriate technologies must be designed for scale. That is the reason why all micro finance initiatives are born in the First World countries, as Internet-based technologies and the facility for receiving donations anywhere in the world. We think that this technology gap will continue over time, despite the economic growth achieved by emergent countries.

Table 1. Current and future microfinance products focused on the poor

Products	Opportunities	Challenges
Microcredit	Loans can be stored and converted to larger assets (like land)	---
Primary microsavings	Focused on the reliable low-income people with current accounts and passbook savings	Safety of deposits
Medium-term commitment savings plans	Clients amass financial assets over time in rhythm with their own savings capacity	• Fund management • Inflation losses • Privacy and client identity
Endowments	Endowments attach life insurance policies to commitment savings plans and therefore add further security	• Partnership • Risk of overselling and fraudulent selling
Annuities	Directed towards formally-employed low-paid workers	Formal actuarial skills are required

Source: adapted from Rutherford (2008).

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Social Change From a Financial Approach: Banking the Poor

Kiva.org has become one of the world's first Peer-to-Peer micro-lending website (Flannery, 2007, 2009). The social change is measured not only by social indicators but also by financial indicators pointed out at the beginning of this work. The Boone indicator shows a relatively new method of measurement able to measure competition on a yearly basis in market segments affected by microfinance without considering the entire market to avoid distortions (Kar, 2016). According to this indicator, and over the period 2003-2010, India and Nicaragua had the most competitive microfinance loan markets, while competition among the microfinance institutions in Bangladesh and Bolivia declined significantly over time. The organization's website presents its visitors, many of whom learn about microfinance through the site, with the World Bank/CGAP financialized explanations of poverty and the importance of microfinance in its alleviation. From financial approach, this suggests a revolutionary social change in developed countries by giving financial support and contributing to KIVA's success (Black, 2009, p. 277) and in turn raising an "intimate mediations with poverty' (Roy, 2012, p. 149). Building up financial connections materialized in millions of microloans, the social impact emerges among thousands of lenders' inboxes and blog posts from KIVA fellows, telling their offline and online stories (Gajjala & Birzescu, 2011). It is an important remark that the borrowed money does not directly go to a person, if not it is transferred into a local KIVA partner (MFI), which fills another loan to that end borrower. All being possible thanks to Internet-based technologies, which make these connections possible. Financially, this method allows the aggregation of thousands of microloans and their disbursement to local MFI partners as intermediaries. Flannery, KIVA's co-founder and CEO, called it "connected capital."

According to Schwittay (2013), the "connected capital" have certain characteristics such as:

1. Long-term vision
2. Catalytic by taking significant risks to having big impacts
3. Accountable as KIVA lenders want feedback on their loans
4. Democratic by being the KIVA lenders hundreds of thousands

What results is a relationship between people and money that enables action towards poverty alleviation through microfinance and consequently has a positive social impact? In other words, this "connected capital" allows banking the poor by avoiding usury and by inserting them into the market. The world has sufficient productive resources for all humanity. The biggest problem is their unfair product and economic resources distribution.

KIVA has changed the interrelationships between money and social impact by:

1. Arising new concepts, such as social capital which sets the capital as force for good
2. Bridging the worlds of finance and development ("social world") into one world: the global financial-capitalist marketplace
3. Helping to its partner MFIs to enter into this market (Gajjala & Birzescu, 2011) (see Kiva supporters in Table 2)
4. Emulating the same feeling of well-known philanthrocapitalists through microfinance, leaving out the charity and celebrating a new equality based on entrepreneurial partnerships (Flannery, 2009).

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Table 2. KIVA's supporters

Amount	Institution
USD 5 million	HP Foundation / Omidyar Network
USD 1 million or more	Pepsico Foundation / Deutsche Bank / Pearson / Metlife Foundation / Grameen-Jameel Microfinance / Google.org / Capital One / Moody's / Research Now / The Diller-von Furstenberg Foundation / Skoll Foundation / Ernst & Young / PayPal
USD 500,000-1,000,000	The Fossil Foundation / The Pershing Square Foundation / The Cisco Foundation / Citibank / TripAdvisor / Dermalogica / Innovations for Poverty Action
USD 250,000-500,000	Maybank Kim Eng / Silatech / Cisco / Yahoo
USD 100,000-250,000	Chevron / Keen / Yelp / Staples / Kabbage / Godadday / The Hall Steps Foundation / Henry L. Hillman Foundation / VitaCoco / The Mullago Foundation / CNF Development Bank / Orrick / Rita Allen Foundation / Richard King Mellon Foundation / Isabel & Alfred Bader Fund
USD 50,000-100,000	Intuit / QBE / PNC / MEDC / NYSE Euronext / Chegg Foundation / The Owlsey Brown II Family Foundation / Stock Yards Bank & Trust / Tillamock / The Lan Martin Group

Source: Adapted from Kiva.org.

As Premal Shah, KIVA's President observes, 'we let the average person be like a Bill Gates or a Rockefeller' (cited in Schwittay, 2013)

5. Widening the vocabulary of finance by including other forms of return not thought before such as being KIVA lenders paid with stock success stories

Social Change From Entrepreneurial and Virtuous Approach: Digital Entrepreneurial Charity

The charitable sector has witnessed considerable experimentation with new ideas and practices, in particular, those adopted from the entrepreneurial sphere (Wagner, 2002; Moody, 2008). For instance, KIVA is a charitable nonprofit that combines microfinancing and internet technology to enable individuals to lend (without interest) small amounts of money to entrepreneurs in the developing world, representing a fertile ground for charitable giving. Charitable giving based on imaginary conceptions and how individuals envision the world and their role in it (Godelier, 1986) make lending through KIVA meaningful to its creators and supporters by combining the analysis of consumer narratives (Kozinets, 2008), through different online platforms, such as information sites (KIVAFriends.org), networking sites (Change.org, Paris KIVACup 2009; Facebook, n. d.;, LinkedIn, n. d.) and blogging initiatives (Inside KIVA), with the analysis of KIVA's brand genealogy (Flannery, 2007; Holt, 2004).

KIVA means another way of thinking in the charity field, unifying utopian ideology of entrepreneurial charity, which challenges the view(s) of charitable giving and poverty alleviation. This utopian ideology has been created both by joining the KIVA's creators with the media and KIVA's supporters by building up their KIVA "portfolios" and actively assuming the entrepreneurial role of "angel investors."

What is new from the Entrepreneurial and Virtuous Approach is that KIVA replaces the traditional "hands-off" charitable giving by inspiring visions of "hands-on" entrepreneurial charity. This revolutionary concept is to see the poor as an entrepreneur waiting to be found out by microloans instead of seeing the poor as a beggar. This "cultural innovation" (Holt & Cameron, 2010) means complementing the patronizing hand out of traditional charity with a dignified "hand-up" partnership between entrepreneurial investors and borrowers.

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Social Change From Organizational and Digital Dynamics Approach

What is new in the developing countries from social and financial perspective is the social transformation from innovative "traditional" social models of finance, such as microfinance, into a digital transformation based on new organizational and digital dynamics. KIVA, a novel Internet-based, peer-to-peer micro-lending model of crowd-sourced microfinance is an example of this digital transformation. Indeed, until now, no organization as KIVA has gone so deep as on-site cooperation on group lending and none has impacted so much on the online solidarity.

Looking at our background where we have compared KIVA to other organizations (Hartley, 2010), we observe big differences with Kiva.org such as:

1. TrickleUp and Global Giving both offer robust online platforms on which to find Internet-based cooperation, but both diverge from KIVA in the scope of their model. TrickleUp provides business development services, and Global Giving caters to individual and institutional groups looking to choose between charities;
2. Acción International and Grameen Foundation are less focused on providing capital to developing world borrowers to target and mitigate global poverty. Therefore, their scope is microfinance; they are less involved in peer-to-peer micro-lending than they are in the mentorship of MFIs and credit bureaus to improve access to capital on the ground in developing nations;
3. UniThrive has moved into the space of providing Internet-based peer-to-peer, zero-interest loans, similar to KIVA, but they differ in its scope from KIVA, which is tightly restricted to Harvard students.

Despite the diverse ecosystem of Internet-based peer-to-peer micro-lending, substantive variations among these loan providers' positions KIVA as unique in its Internet-based peer-to-peer platform, membership, breadth, and scope of international lender and borrowers, its zero-interest lending scope.

Founded in 2005 by Matt and Jessica Flannery, Kiva.org seeks "to connect people through lending for the sake of alleviating poverty." On Kiva.org, internationally based lenders create and personalize individual profiles. Lenders can act individually or can join "Lending Teams" to attribute their loans to a concerted campaign or to compare their collective impact on other like-interest, regional or demographic groups. Lenders capitalize their Kiva.org accounts with personal money, browse the profiles of entrepreneurs located around the world, and choose those to whom they would like to lend money. The platform is additionally built with systemic checks and balances, such as the feature that lenders cannot view or post to message boards until their account is capitalized with at least $25, the minimum lending amount. Lenders are advised on the potential country, Microfinance Institute, and personal loan default potential described respectively as "Country Risk," "Field Partner Risk," and "Entrepreneur Risk." Loans are provided globally to KIVA "Field Partners," or MFIs, located in 83 countries that then distribute money to individual entrepreneurs. Capital is provided in minimum $25 loans at zero percent-interest, though repayment to the lender comes incrementally, with small cash installments that recapitalize personal accounts. Field Partner risk assessed by KIVA employees based on financial audits, organizational experience, and existing loan portfolio size and risk. Risk ratings do not indicate the probability of default, and exposure at default, but are qualitative one-to-five star ratings that have implications on first entrepreneur loan requests. In this way, Kiva.org additionally helps regional MFIs establish credit histories by allowing even historically poor performers to seek loans to build a positive portfolio.

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KIVA Field Partners are regionally located MFIs and are often guided by the on-site expertise of centrally trained, pro-bono KIVA Fellows. KIVA has over 300 Field Partners around the world, and it is the responsibility of the MFI to screen entrepreneurs, determine whether entrepreneurs belong to borrowing groups wherein individual default is linked to group outcome, and post loan requests on KIVA. Once the MFI has approved an entrepreneur, they can create a KIVA profile, and specify the loan amount they require. The MFI is additionally responsible for the disbursement and collection of the loan provided to the entrepreneur, and for documenting credit impact.

Although Kiva.org is neither the first nor the only web-based peer-to-peer micro-lending institution with a global focus, they are the first to pioneer zero-interest entrepreneurial lending. Indeed, Kiva.org offers an online platform in which lenders collaborate, in various sized open and closed groups, and around various topical categories, to provide affordable debt capital to entrepreneurs in need. For instance, KIVA provides powerful Lending Team analytics, feedback, or explicit training. This analytics would visually –like Google Analytics, Google Insights for Search or Google Finance– illustrate to group members participation rates over time.

By transparently explaining the value and effectiveness of their on-site design levers, Kiva.org could help facilitate digital growth and entrepreneurial engagement, offering to the developing market a unique online platform where to provoke the social and corporate change. Information and Communication Technologies (ICTs) provide new opportunities to help the poor as potential lenders are virtually connected. The first microfinance revolution took a supply-side perspective and showed that the poor were a bankable. The second revolution highlighted demand-side concerns to meet the complex livelihood needs of the poor. As a result, there is a need to improve the design and outreach of MFIs on a continuous basis and to put these institutions in a perspective which matches demand and supply concerns (Arun, Hulme, Matin, & Rutherford, 2005).

As stated in the objectives set in this book work, the impact of the digital space through this case study has been important, as more than nearly USD 850 million has been given to more than 2 million borrowers at risk of social exclusion. These results are possible thanks to the use of ICTs where lenders are connected through the cyberspace and are informed in real time on the granting and repayment of their loans.

Moreover, regarding the possible replication of this ICTs-based model, the following three-fold practical solutions and lessons to be applied in other NGOs, as follows (Hartley, 2010):

1. KIVA's Top Large Closed Lending Teams have, on average, more members;
2. KIVA's Top Large Open Lending Teams provide over three times as many loans and three times as much money per loan; and
3. KIVA's Top Small Closed Lending Teams have greater per capita credit.

Indeed, these lending teams tend to transform borrowers into entrepreneurs defined by their use of economic resources to create both social and economic wealth. Given this social impact linked to solidarity, social entrepreneurship is generated, and social businesses are formed to reduce the risk of social exclusion.

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FUTURE RESEARCH DIRECTIONS

Transnational microfinance socio-financial networks like KIVA are responding to global problems, such as poverty. Under normal circumstances, nation states are responsible for their citizens, for implementing social policies, and providing banking and saving services. However, NGOs have taken over some of these responsibilities through services rendered by digital entrepreneurs to citizens globally. Given the global-scale financial crisis, socio-financial networks like Kiva.org play a critical role in helping bring about social change by providing economic relief to millions of people worldwide. There is a transnational level of participation in socio-financial networks like KIVA, despite not having any tax advantage for lenders whose residence is outside of the United States.

Kiva.org is one of the many transnational public spheres where donors and borrowers (digital entrepreneurs) connect in a disruptive space to participate in social and financial transactions to alleviate poverty as we have named social-on-linezation of poverty. Given its success, it is foreseeable that other Peer-to-Peer microcredit initiatives will be put into action rooted on ICT-based microfinance. According to Yartey (2014), the concept of the transnational public sphere can be theorized as a real virtual space where people congregate to develop online socio-financial entrepreneurial relationships, share goodwill through microfinance, and establish connections that have the potential of lasting a lifetime to alleviate poverty. Therefore, the transnational public sphere is also a stage for performance; it is an open space where potential donors from the Global North provide financial relief to the poor in the Global South. It is a space where individuals and groups in Third World countries exhibit their eligibility for loans through various communication strategies.

We see that future research might be focused on the advent of a new profile of entrepreneurs, the digital entrepreneur, and its environments (Appadurai, 1990):

1. Appadurai's technoscapes can be conceptualized as a technological public sphere that exists in cyberspace. This space consists of computers linked together by the fabric of the Internet with various inter-nodal connections that link up local microfinance institutions to Kiva.org in a sophisticated communication network. The technoscapes are web 2.0 technological tools for lenders who help bring social change by improving the lives of the poor through
2. Finanscapes theoretically are paths that financial transactions flow to and from globally. The transfer of money through digital mediums like Kiva.org to developing countries follows paths created by finanscapes and technoscapes.

These assumptions base on:

1. In light of present transnational globalization trends, cultural economies flounder
2. Cultural economies also move seamlessly between ethnoscapes, technoscapes, financescapes, mediascapes, and ideoscapes
3. Social-on-Linezation to alleviate poverty (Yartey, 2014)

Globalization is bringing many First-world households in developed countries who have never been in direct contact with it the reality of poverty so that solidarity can flourish. So, and in addition to these new cultural trends, they coexist with traditional values such as solidarity and charity, following the latter a religious sense.

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RECENT FINDINGS ON MICROCREDITS

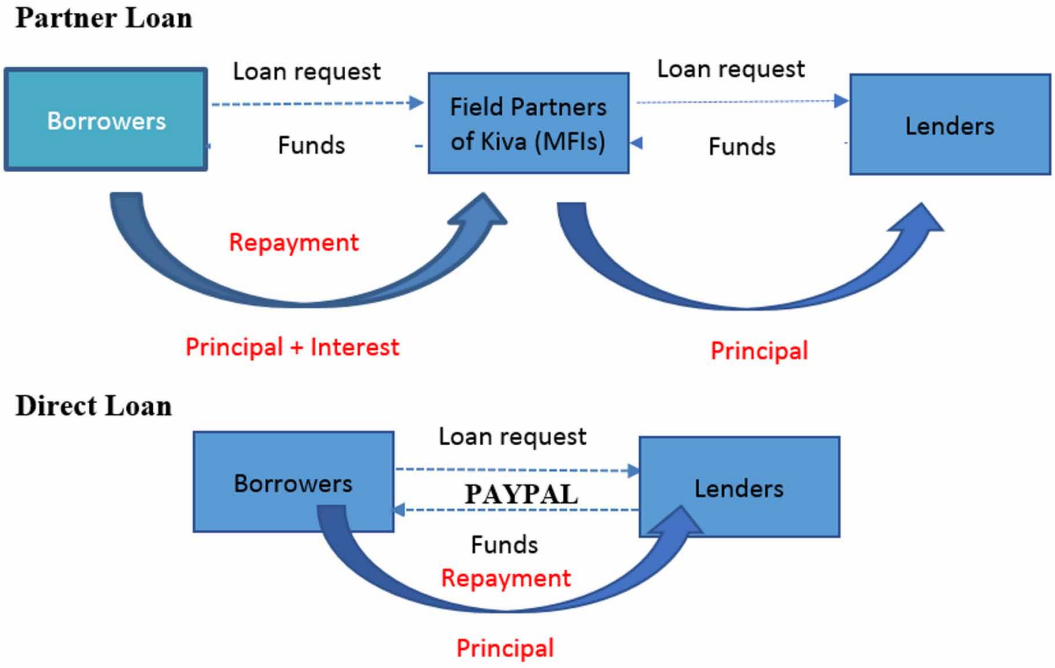
It is important to point out the difference between a direct loan and a partner loan. Although Kiva and Kiva lenders never receive any interest from loans, the situation is different when referring to borrowers. When using local field partners, most borrowers do pay interest to them. On the other hand, direct loans using Paypal charge 0% interest. Direct loans are only available in the United States and don't use Field Partners. Some researchers have studied how lenders choose between these two modalities concluding that only highly altruistic lenders prefer direct loans to borrowers (Ge, Guo & Luo, 2016). These direct loans are riskier as there aren´t intermediaries to look into loans and collect repayments.

We can compare a partner loan and a direct loan in Figure 2.

One important aspect is the speed of funding, as time can be a critical factor for financing in the third world. The option of forming groups of borrowers when requesting loans has different effects. First of all, there is a joint liability. This fact increases peer pressure to repay loans as responsibility is shared; if one member fails to repay the debt, the other members must cover the loss. Moreover, the risk for lenders decreases as they diversify the investment. Therefore, it should be easier to obtain financing. Recent research shows that making groups speed up funding time by 3.3 days on average when using Kiva. (Pham & Shen, 2017).

Microcredits have also been examined from an anthropological perspective. Hayes (2017) researched microloan repayments in northern Honduras and focused on Honduran women who request microcredits to start a small and informal business. He observed that there is a significant and hidden labor of repayment unaccounted for in reports. Women in the study carried out different strategies to meet loan repayment schedules. Sometimes they requested microloans from multiple agencies to getting money

Figure 2. Kiva's Partner Loan vs. Kiva's Direct Loan (Source: adapted from Pham & Shen, 2017)



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to meet other microloan deadlines and seeking aid from friends or family was common. Many times, they needed to use social relations with clients to adjust microloans repayment periods with local payment habits. Some of them combined temporary wage work and small commercial activities to fulfill the financial obligation.

Other authors criticize microcredits as a way of eradicating poverty. According to Mull (2016), Kiva doesn´t have a process to know what happens when an MFI receives funds. Therefore, Kiva must provide resources to MFI, the experts in the field, and doesn´t have direct relation or accountability with final users. The attention is drawn to the loan and the risk of the lender and not to the borrower. In addition to this, Mull points out the assumption that any person can be an entrepreneur regardless of background, intelligence or market limitations. Furthermore, he affirms that loans are often used for purposes different than those stated when requesting them.

Waidi (2017) has studied the features of borrowers of microcredits granted by microfinance institutions in Lebanon from 1984 to 2015. The agencies that provide micro-loans in this country are NGOs. Research results showed that NGO microfinance institutions gave more credit to men than women and a reduced part of credit ended up in start-ups. Borrowers were usually poor, lived in rural areas and had a low level of education. The MFI´s officials preferred to give microcredits to men. These findings are consistent with gender discrimination in patriarchal societies.

The research carried out by Banerjee et al. (2015), six randomized evaluations of microcredits using six countries on four continents, urban and rural areas and borrowers, loan and lender characteristics, showed that the effects of microfinancing are positive but not transformative. This result supports the notion that microcredits must be combined with other actions to eradicate poverty

CONCLUSION

From Digital Entrepreneurs for Social Change by analyzing the KIVA's Case of Study, there is no doubt that an organization is well meaning while striving to bring economic relief to the poor, ending up the superiority of the Global North over the Global South. KIVA complements the informal lending practices based on family and friends. These arrangements can usually be distinguished from those of moneylenders in that there is no usury, as lenders do not receive any interest rate. KIVA lenders do not expect to gain money from their lending, as all money received given to benefit the poor.

These disruptive practices of empowering the poor as Kiva.org has opened new ways of understanding the relationships between developing and developed countries, relationships based on equal social exchange, losing traditional forms of developed countries rooted on charity. The new wave has come beyond the microcredit frontiers by transforming the organizational dynamics based on borrowing side into lending groups and what is more, losing the financial return by moving forward to other forms of "return" as feeling the Gate's philanthropy.

Organizations, like the Grameen Bank of Bangladesh, have paved the way for social change, development of countries' entrepreneurship and empowerment of the poor through microfinance. Technology has complicated and introduced new challenges to global lending. Using online platforms using implementing what we have named as social-on-linezation of poverty or action of alleviation of poverty through entrepreneurial online platforms which impact directly on society and their change, this work has also shown the need for global communication processes and empowerment through online microfinance. Web 2.0 digital technologies and its complex tools make it possible for borrowers living in developing

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countries to receive loans, adding a new dimension to global lending, providing people who otherwise would not have had access to loan products with the support needed to improve their lives and in turn, the social change.

Finally, scholars and researchers need to continue exploring new ways in theorizing global processes of communication, and in exploring new financial and social concepts based on the flow of money, return communication, and interrelationships in cyberspace to deal with this disruptive social digital entrepreneurial movement known as Kiva.org. We are sure that this first Peer-to-Peer microfinance institution in the world will be soon followed by others with the unique objective of offering a better life for the poor, acting lenders, either from philanthropy (to help others through donations) or from religious beliefs (charity).

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KEY TERMS AND DEFINITIONS

Banking the Poor: It consists in providing microcredit-based financial opportunities to the poor to insert them in today's financial world.

Digital Entrepreneurial Charity: Entrepreneurs full of human and/or religious values who use the Internet for alleviating the poor.

KIVA: Based on the Information and Communication Technologies (ICTs), this organization is the first Peer-to-Peer microfinance organization in the world.

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Microfinance: Small loans that benefit the poorest who live in Third World countries.

Peer-to-Peer Micro-Lending: Small quantities of financial aid donated at no interest rate directly given through the Internet from First and Second World lenders to Third World beneficiaries.

Social Change: The creation of fairer and values-based societies defined by a higher standard of living through microfinance and digital entrepreneurial charity.

Social-on-Linezation of Poverty: It is determined by the sense of internalization and awareness of poverty by the most favored population of the world by using the Internet.

ENDNOTES

1 The Consultative Group to Assist the Poor (CGAP) is a consortium of 31 public and private development agencies working together to expand access to financial services for the poor, referred to as microfinance. These principles were developed and endorsed by CGAP and its 33 member donors and further supported by the Group of Eight leaders at the G8 Summit on 10 June 2004.

2 For instance, in November 2010, the World Bank launched a Global Program on Consumer Protection and Financial Literacy, which focuses on shielding poor financial clients from abusive and predatory practices and on providing "consumer education."

3 Grameen Bank and Muhammad Yunus pioneered in Bangladesh what it titled the "solidarity circle."

4 There are "self-help" and "community-based organizations" that have evolved from traditional credit groups. These intermediaries were especially popular in India. While "solidarity circles" and "self-help" groups of borrowers are similar, the former involves remote oversight whereas the latter strives to create independent, locally run micro-banks that encourage borrower repayment but there is no paucity of academic and popular media coverage of group lending (Hartley, 2010).

5 KIVA lenders cannot receive interest for legal reasons, among other, because KIVA is a 501(c)(3) what means being a nonprofit for tax purposes.

6 KIVA Friends is perhaps the most comprehensive off-KIVA website for coordination. Touted as "A community of lenders, by lenders," its look and feel are similar to Kiva.org. On the homepage, daily statistics are displayed which show the total value of loans made, number of KIVA lenders, number of countries represented, number of entrepreneurs who have received loans, the percentage of loans made to women, the number of KIVA Field Partners, and the number of countries hosting Field Partners. Additionally, KIVAFriends.org provides links to other off-KIVA coordination sites. KIVAFriends is the most prominent platform for understanding extant online options on lending cooperation.

7 The KIVA profile on Change.org shows the support of over 1,000 individuals, fundraising, supporter biographies, blogs, embedded videos, recent news, and job postings.

8 KIVA means "unity" in Swahili.

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Chapter 49
The Social Economy and Role of Government in South Africa

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ABSTRACT

Social economy, as a relatively new concept, is considered the 'third sector' of the economy in government discourse. It plays significant roles in socio-economic and political spheres of any nation. Emphasis on social economy has been as a result of the global recession which caused economic depression in several countries all over the world. In South Africa, the impact of the economic recession has reflected mostly in increased unemployment and poverty levels resulting in maximization of discrepancies between the rich and poor with inequalities, creating disenabling environments for foreign investments. These social problems have called for an examination of the role of the social economy in liberating the South African economy from its current dire state. This chapter on tracing the developmental agenda of the South African government, will examine how the social economy has fed into the National Development Plan and the impact of implementation of government policies and regulatory frameworks to ensure achievement of various national imperatives aligned to the Millennium Development Goals in the context of the social economy. The authors state that whilst there is a growing trend towards the social economy in the current context of government, multi-faceted effects of poverty needs to be targeted through robust entrepreneurial opportunities for growth and development of the economy.

1. INTRODUCTION

Society is the support system on which government is built, hence for every democratic government, much is expected to ensure the societal wellbeing. The primary role of governments all over the world is presumably the provision of public services for the general welfare of communities at large. As globalization is driving the world, governments are facing challenges of meeting the demands of the citizens in creating enabling environments and providing essential public services. Public service delivery is considered a

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huge task which the government would not be able to implement on its own. As such, involvement and participation by the private sector and fostering a culture of entrepreneurship are contributory factors towards a social economy encouraged by government to implement its policies. The social economies are grouped as those organizations whose primary objectives are not profit-driven, but contribute to the economic growth and well-being of the society. The alignment with the Millennium Development Goals (MDG's) as a strategic focus, has raised more concerns on the role of the social economy in society. These *tenets* of the MDG's underpin the concerns of the societal well-being, such as poverty and unemployment; health issues, inequality, education, environmental sustainability and global partnerships.

However, globalization has re-enforced the need for societies to move towards a better world which implies more responsibilities for government, the private sector and the social economy at large. The differences in the value systems and multi-cultures reflect diverse roles of the social economy and the government in developing, emerging and advanced economies. In a developing economy such as South Africa, challenges such as increasing unemployment rate, poverty, high mortality rates, poor education, poor enabling environment, population growth and migration challenges have significantly impacted heavily on the society. In addition, the adoption of various national, regional and international goals to ensure citizens' well-being have increased the expectations of the citizens; thus raising more concerns on the role of government and the social economy. The objective of this paper is to re-examine the current state of the South African social economy, and to appreciate the government regulatory framework that encourages entrepreneurship. The preferential policy framework for procurement reform is an important milestone to foster a spirit of 'entrepreneurial government' encouraging and investing in the growth of the social economy through direct and increased participation of small, medium and micro businesses.

However, the rest of the chapter will discuss the overview of the social economy, concept and structure of the social economy, global recession and the South African economy, towards achieving a prosperous nation, the social economy and entrepreneurship, future research direction and conclusion.

2. OVERVIEW OF SOCIAL ECONOMY

The social economy is considered a 'third sector' amongst economies operating between the private (business) and public sectors (government). Historically, literature have linked social economy to associations and co-operatives structured to respond to the living conditions of the most vulnerable and defenceless social groups. In support of this movement, the International Labour Organisation's (ILO) recently adopted a Declaration of Social Justice for a Fair Globalisation which underpins the need for effective social economy and envisions placing people at the centre of the economic policy of government. Given this background, ILO defined social economy as "a concept designating enterprises and organizations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which has the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity" (ILO, 2009, p.1). Another contemporary definition of the social economy comes from Mook *et al.,*(2007, p.17), "A bridging concept for organizations that have social objectives central to their mission and their practice, and either have explicit economic objectives or generate some economic value through the services they provide and purchases they undertake". The aim of social economy from both definitions is that it is based on democratic values and is not profit-driven. The concept of the social economy is influenced by the philosophy of ensuring social

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ethics and morality--solidarity, equality, liberty and social responsibility particularly for the vulnerable groups within society.

The concept of social economy and its impact on the economy has prompted much global debate lately. Social economy theory attempts to study the relationship between the economy and social behaviour influenced by morals, ethics and philosophies. Since the introduction of the MDG's, much concern has been raised on the citizens' living conditions. Such concerns include social, economic, and environmental conditions of communities, most especially the disadvantaged and economically impoverished persons in society. The inception of the sector of social economy has resulted in satisfying the citizens' needs which are being overlooked or compromised by the public and private sectors. With evidence from the report of the meeting on Gender Mainstreaming in the African Union, it was documented that "social economy plays an important and growing role in our economies and societies by providing employment and social protection, as well as other social and economic benefits", as evidenced by Femme Africa Solidarité, (2011, p.1). In addition, according to the CIRIEC research conference report, (2009, p.9), "social economy enhances wealth distribution and poverty alleviation". Furthermore, literature has documented other roles played by social economy such as increasing productivity and competitiveness; contributing to socially-inclusive wealth creation; enabling individuals and communities to renew local neighbourhoods; demonstrating new ways to deliver public services; developing an inclusive society and active citizenship, asserts O'Sullivan and Sheffrin, (2011). Thus, the social economy plays an important role in creating a sustainable and prosperous society.

3. CONTEXT OF SOUTH AFRICAN SOCIAL ECONOMY

The global recession of 2008 resulted in economic crises and posed varying degrees of challenges to the South Africa economy. According to Ntshalintshali, (2009, pp. 1-2), a report of the Congress of South African Trade Union (COSATU), the economic downturn caused a wide range of issues such as "gross imbalances and inequalities in the global system (South Africa inclusive), the impact of the financing of economies, ineffectual regulation in several of the major world economies and poor business practices have resulted in significant asset depreciation, closures of companies, rising unemployment and sharp slowing down of economic growth".

The government's immediate strategic plan includes the revision of the 2011 National Development Plan (NDP). The contents of the NDP which includes poverty alleviation, unemployment and inequalities has been evidenced in the 1994, Reconstruction and Development Programme (RDP), in the 1996 Growth, Employment and Redistribution Program (GEAR) Policy, the Accelerated Shared Growth Initiative (AsgiSA) and the 2010 New Growth Path. According to Williams and Taylor in (Sebola & Nkuna 2014: 930), government has through the RDP policy committed itself to driving transformation by maximally spending on social needs, especially with regard to the historically disadvantaged communities. Following on, Mears (2006: 200) advances that the intention of AsgiSA was to become a national shared growth initiative rather than merely a government programme, together with other key policy and strategic frameworks which impact on the triple bottom line. This will need the co-operation of individuals, households, business and government in a concerted effort to promote social entrepreneurship.

In the words of South Africa's Minister of Economic Development, Ebrahim Patel, "the New Growth Path has placed employment at the centre of economic framework because it has an absolute important to role to play in addressing a number of social challenges" (SA Government. 2011: 1). Against this

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background, it is worthwhile to note that employment creation would be enhanced in an environment where social economy and entrepreneurship are fostered. The impact of recession has drawn more attention to the prevailing social issues in the society. The revised version of 2011 laid much emphasis on *amongst others,* the need to eradicate poverty, inequality and enhance job creation. These social, economic and environmental issues as contained in the policy documents were aligned to the concept of NEPAD and the attainment of the Millennium Development Goal1: Eradicate Extreme Poverty and Hunger, and Goal 7: Ensure Environmental Sustainability. In support of these documents, the 2012 NDP thus reads as follows:

The National Development Plan is a plan for the country to eliminate poverty and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the state and leaders working together to solve complex problems (NPC, NDP 2030, p. 1 - 2012 version).

The NDP core implementation principles were built on broad ownership, continuous capacity building, policy consistency, prioritisation and sequencing, clarity of responsibility and accountability, continuous learning and improvement and coordinated action (SA News 2013).

Going by the principles of NDP plan, government envisaged that the solution to the growing issues of social, economic and environmental wellbeing of the society requires full integration of all stakeholders, government, citizens, businesses, and mostly, the third sector economy, that of the social economy. However, although the NDP focuses on the need for sustainable livelihoods, the plan appears to regard employment as the only means of achieving this goal and there seems to be very little due consideration to stimulating alternative means of work in the form of self-employment to realize this goal, posits Roux (2013: 509).

This is because the social economy has been documented to play an important role in creating a strong, sustainable, prosperous and inclusive society. According to the South African Local Economic Development Network (2010), the South African economy consists of the following pertinent points:

1. The private sector which is privately-owned and profit-oriented;
2. The public sector, state-owned and to a large extent welfare-oriented;
3. The social economy, usually referred to as the 'third economy' that comprises of three sub-sectors;
    a. the community sector: This include voluntary organizations operating at local or community levels which may include vigilante groups, sports club, parent associations'.
    b. the voluntary sector: According to Perth and Kinross Council (2012),this sector is made up of organizations that have a formal constitution (for example a governing document); independent of government and self-governing; *not-for-profit* and usually operating with a meaningful degree of volunteer involvement. Such organizations include housing associations, charities and national campaign organisations.
    c. The social enterprise sector deals with businesses trading for social, health and environmental purposes. These businesses deliver goods and services and aim to be financially profitable. The profit is reinvested towards achieving the purpose of setting up the organization (Perth & Kinross Council, 2012).
4. The informal economy is characterised by enterprises that are not legally regulated and therefore outside the formal economy.

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The mainstream of the government sustainable development, job creation, poverty alleviation and equality has been maintained in the policy objectives. However, the practicality of integrating these policies and aligning them within the framework that supports social economy and entrepreneurship remains a challenge to South African government. Thus, effective translation of the policies into practice is considered at the core of government's agenda for social inclusion.

4. GLOBAL RECESSION AND SOUTH AFRICAN ECONOMY

The International Labour Organization pointed out that "as the recession comes into effect, poverty reduction unravels and the middle classes worldwide are weakened, the risk is that social and political tensions will multiply" (ILO Global Crisis Observatory 21 May 2009, p. 1). According to CODESRIA (2012), the social repercussions of the economic downturn was mostly evident in issues related to high unemployment, more debt, and low growth, as well as greater difficulties in having access to finance for developing countries. Evidence from South Africa shows that the recession impacted heavily on the economy. At the dawn of the 2008 economic downturn, the South African economy shrunk by 1.8% in the final quarter of 2008 and by an annual quarter-on-quarter 6.4% in the first three months of 2009 (Bell, 2009).Contributing to the weakened national economy, was the shrinking of the mining sector output by 33%:the shrinking of the manufacturing sector output by 22% (considered the biggest decrease on record ever); shrinking of consumer spending by almost 5%, (its biggest contraction for 13 years); a 47% rise in company failures in the first four months of 2009; and rise in the household debt to about 80% of disposable income (from around 50% six years ago) (Bell, 2009; Hazelhurst, 2009; Isa 2009). The third quarter of 2009 saw 484, 000 workers lose their jobs with the largest number in manufacturing (about 150, 000). Added to this impact, is 1.6 million workers who are excluded from the calculations because they have ceased actively searching for work that is the so-called discouraged workers syndrome, highlights The Business Day, (30 October 2009).

Six years on into the recovery path, the effect of global recession still lingers on. The recent statistical report indicates that the gross domestic product (GDP) shrunk by an annualized rate of 0.6 percent in the first quarter of 2014, unemployment rate increased to 25.2%, and youth unemployment jumped to 36.1% (Stats SA, 2014). With the level of unemployment amongst youth, it appears that one in two young South Africans remain unemployed, 5.067 million people are without job mainly due to job losses in key sectors such as agriculture, trade and transport (Stats SA, 2014). Job losses in these key industries have been mostly evident from the inception of 2008 global recession and have lingered on for the past six years. The high rate of unemployment has also unravels the poverty level. The society lives in absolute poverty and income inequalities. The poverty trends analysis reported by Stats SA (2014, p. 26) shows "poverty level decline from 57.2% in 2006 to 56.8% in 2009 and further 45.5% in 2011 for South Africans living below the national poverty line level (upper bound poverty line of R620 per capita per month in). This reflects a 20% reduction from 2006 to 2011 and sounds like a good news for the government because at this point, the national goals of halving poverty by 2015 have been achieved".

Against this backdrop, South Africa is considered as a middle-income country though the society's income is very unevenly distributed. In comparing the national poverty line of R620 a month with the international standard of $2.50 a day (for middle income countries), using indicators such as the Gini coefficient, dollar-based poverty measures, employment, income per capita, social services and government-based social assistance programmes, the report indicated that the international target is likely to

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be achieved by the year 2015 (UNDP, 2013). However, there is much work for the government, because currently 23 million South Africans are living in absolute poverty (below the upper-bound poverty line) with lower income levels. The disparity in the income levels has resulted in the rich becoming richer and the poor becoming poorer. Going by the use of the Gini coefficient indicator for measuring inequality, the value ranges from 0 to 1. A Gini value of zero implies equal proportion of population access commensurate proportion of income, thus a Gini of zero would imply equal income distribution across the population. A Gini coefficient of one on the other hand implies an extremely unequal distribution of income (UNDP, 2010). The Gini coefficient in 2011 measured 0.69or 0.65 (from Stats SA Quarterly Labour Force Survey QLFS_Q4:2011 or Stats SA 2014-poverty trends report respectively). The value to be considered shows high levels of inequality for a middle income country such as South Africa. The report of inequality at sex level indicates "that females' had a higher poverty gap of 20.5% compared to their male counterparts at 18.8%" (Stats SA, 2014, p. 26). In addition, the inequality measured at population group using Gini coefficient indicates 0.55 for Black African, 0.53 for Coloured, 0.45 for Indian/Asian and 0.42 for Whites respectively (Stats SA, 2014, p. 16). None of the Gini coefficients implies equal group proportion with or across the population group. The poverty trends in South Africa between 2006 and 2011 highlight the socio-economic deprivation in the country. Furthermore, "the average annual income levels by population group represents R60, 613 for Black African, R112 172 for Coloured, R251 541 for Indian/Asians, and R365 134 for Whites" (Stats SA, 2012, p. 42).

The implication of these inequality data is that the gap between the poor and the rich whether by population, group or sex is becoming wider and wider. At this rate, it becomes highly unlikely to achieve the MDG goal of eradicating poverty and promote gender equality as the target year is achievable in the short-term. The reality of the current economic situation is compelling in the desire for government to reduce the number of people who live in households with a monthly income of R620 per person (in 2014 prices) from 39 percent to zero; reduce inequality, as measured by the Gini coefficient, whether from 0.69 or 0.65 to 0.6 and to increase employment from 13 million in 2010 to 24 million in 2030 remains a challenge.

5. SOCIAL ECONOMY AND THE NATIONAL DEVELOPMENT PLAN

The NDP adopted the use of lower-bound poverty line (LBPL) of R443 (as in 2011 prices) as the poverty target line for eliminating poverty by the year 2030. According to Stats SA, (*see Table 1*), "32.3% of the population or 16.3 million people (as at 2011 census), are living below the lower bound poverty line". The poverty gap at LBPL is 11.8% as at 2011, and therefore would require an estimate of R31.7 billion per annum to fight the poverty" (2014, p.14).

Table 1. Progress towards NDP's Poverty Targets

Poverty Indicators	2006	2009	2011
Percentage of the population that is below the LBPL	42.2%	44.6%	32.3%
Number of people living below the LBPL (millions)	20.0%	21.8%	16.3%
Poverty gap for the LBPL	16.4%	18.9%	11.8%

Source: Statistics South Africa. 2014. Poverty Trends in South Africa: An examination of absolute poverty between 2006 and 2011. p. 14

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The South African economy has experienced high level of economic stability since the transition to democracy in 1994. It has been noted as the largest economy in Africa contributing about 40% of the continent's gross domestic product (GDP) with significant influence on trade and investment. The annual growth rate in GDP stood at 3% at the close of 2010. However, the currently Stats SA report indicated a decrease of 0.6% in the gross domestic product (GDP) in the first quarter of 2014 (Stats SA, 2014). In addition, highest inflation of 6.6% in the past five years was recorded in May 2014 resulting in an increase in the price of food. Recent rebase of GDP of African countries' economies placed South Africa as the second largest economy in Africa. The resultant effect is the lingering poverty, unemployment, and inequality hitting the masses. With the youth unemployment at 36.1%, it becomes challenging of the hope of the youths being the future leaders. The economic prospects for the youth and the poor masses become limited. At the estimated growth rate of 3.5% per annum, the economy would require more support to generate the required amount of money needed to alleviate poverty by 2030.

Addressing poverty, unemployment and inequality and the commitment to achieving the Millennium Development Goals (MDGs) has been the priority of the democratic government in various pre-existed programmes and initiatives and the most recent NDP. The government comprehensive approach in NDP involves broadening access to employment, strengthening the social wage, improving public transport system and raising rural incomes (NPC, 2012). Thus far, evidence has been recorded in the decline in poverty level from 57% in 2006 to 46% in 2011 which has been linked to a combination factors such as social grants, expanding social safety net, income growth, decelerating inflationary pressures on households, expansion of credit and growth in formal housing (Stats SA, 2014). Irrespective of the progress made so far, the fact that 23 million South Africans live below the poverty line remains a daunting challenge. According to Le Roux (2009: 509), the NDP regards agriculture in rural areas as an opportunity for employment creation and anticipates a well-implemented strategy to boost agricultural output towards the creation of up to 1 million jobs by 2030. The author deems this to be unrealistic due to uneven spatial patterns and high levels of unemployment in the outlying rural areas. This augurs for involvement of the informal sector and the social economy towards sustainable employment leading to sustainable development.

Hence, this calls for further government intervention processes, and more emphasis on the use of strategies such as full integration of the social economy and re-examination of policies to complement the existing approach.

6. SEMIOTICS OF SOCIAL ECONOMY AND ENTREPRENEURSHIP

According to Monzon and Chaves, (2008, p. 552), "social economy has not only asserted its ability to make an effective contribution to solving the social problems, it has also strengthened its position as a necessary institution for stable and sustainable economic growth, fairer income and wealth distribution, matching services to needs, increasing the value of economic activities serving social needs, correcting labour market imbalances and, in short, deepening and strengthening economic democracy". There has been a tremendous growth in organizations who have integrated social economy in proving basic services. The contribution of the social economy in solving the societal problems has been recognized by most governments in the world today.

With this in mind, the South African government has recognized the value of social economy as evidenced in the pre-existed initiatives such RDP, GEAR, NGP and the present NDP. The two areas of

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centrality for NDP employment creation strategy are through the small and micro medium sized enterprises (SMME) and deregulation of the labour market. Against the backdrop of SMMEs, is the concept of social entrepreneurship which has become a vital business model. According to Volkmann *et.al.,*(2012, p. 8), social entrepreneurship means "acting within markets to help a societal cause, by creating additional value, aiming at sustainable solutions" while Wolk, (2008) defined social entrepreneurs as agents that respond to market failures with innovations that are transformational and financially sustainable, thereby helping the government in addressing the various social dearth. According to Martin and Osberg, (2007, p. 35), "social entrepreneurship may be regarded as comprising of three elements:

- *Firstly,* identifying a stable but inherently unjust equilibrium causing the exclusion, marginalization, or suffering of a segment of humanity that does not have the financial means or political power to generate advantageous changes;

- *Secondly,* identifying an opportunity, in this unjust equilibrium, to develop a social value proposition, and bring inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony; and

- *Thirdly,* creating a new, stable equilibrium which exploits the potential, or eases the suffering of the targeted group, as well as creating a stable ecosystem around the new equilibrium, ensuring a better future for the targeted group and even society at large".

South Africa's adoption of the social economy was in line with the global trend of positioning social economy as a potential solution to social shortfalls. The idea lies in the application of the concept of social enterprise and entrepreneurship which has gained popularity in most countries today. Indeed, it is believed that social entrepreneurship and the contributions of social entrepreneurs have the possibility of being transformative change agents in society and that developing nations such as South Africa could benefit from increased government and public support for the phenomenon of social entrepreneurship (Bornstein, 2004; Urban, 2008). In addition, Urban, (2008, p. 347), believed that social entrepreneurship has an "unequivocal application" in South Africa because the various existed government initiatives such as RDP and GEAR were not able to satisfy the entire social deficit in terms of bringing the envisaged socioeconomic change. The introduction of the NDP to reduce the poverty level; create11 million new jobs and reduce unemployment to about 6 per cent; as well as reduce inequalities by 2030 shows that the government approach is more of a people-centred towards development approach. The role of government in realising the vision 2030 is of utmost importance. According to COSATU report, a critical examination of the NDP plan acknowledges the changing nature of job but appears to be fixated with full employment as the ultimate goal without intention of revisiting labour legislation. In addition, the NDP acknowledges the importance of the social economy but the action plan appears to show little emphasis on self-employment through SMMEs (Ntshalintshali, 2009).

The fact that entrepreneurship results from the creativity, drive, and skills of individuals or groups of individuals requires government support for it to flourish. In support of the organizations in the social economy, the government core actions include the development of a strategy to support social economy organisations amongst others in obtaining marketing, bookkeeping, technological and financial services and training, and in developing linkages within the social economy to encourage learning and mutual support; work with union and community investment companies to develop a Charter with commitments to job creation; encourage state procurement and service delivery (The South African LED Network, 2010).Given this context, government policies and actions are key elements in dealing with the social challenges. The government has a role in setting the appropriate macro-economic framework and con-

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ditions to ensure best social and economic outcomes, which determines the level of economic growth and employment. The NDP vision for 2030 stipulates "the need for the government to regulate market participation, identify and resolve market failures, provide appropriate public infrastructure and services and help in lowering transaction costs across the economy" (NPC, 2012, p. 134), but the extent to which all these have been implemented remains a challenge to the government.

With the present level of unemployment, poverty and inequality, the first recommendation to ensure achieving vision 2030 is the application of Keynesian economics. With government being a key player in the economy, it has the potential to alter interest rates, repo rates and issuing of bonds. This model proposes interventionist approach where government spending can create demand for goods and services. By so doing, it enhances the improvement of GDP and employment without waiting for the market forces to do so, thus resulting in deficit spending (Radcliffe 2009). In addition, government, has the ability to control the economy and prevent the negative effects of recessions or pulling the economy out of a depression. It requires a closer monitoring of the fiscal and monetary policies. The second recommendation points to review of government policies and regulatory frameworks for SMME's. According to DTI, (2008), SMMEs in South Africa employ 47 per cent of the economically active population and constitute close to 45 per cent of GDP. Irrespective of this, studies have shown that SMME's are confronted by factors related to *among others*, the inefficient legal framework and regulatory environment, lack of access to markets, information and advice, lack of access to finance, poor physical infrastructure and business premises, lack of entrepreneurial training, skills acquisition and managerial expertise, limited access to appropriate technologies, lack of capacity-building and institutional strengthening (uMgungundlovu SMME Development & Support Plan, 2011, p.27). Thus, as a result, "the state of entrepreneurship and small business development in South Africa presents a picture of under-performance relative to other countries at similar levels of development" (Luiz & Mariotti, 2011, p. 50).

7. FUTURE RESEARCH DIRECTIONS

Various governments have realized the contributions of the role of social enterprises and social entrepreneurship as part of the social economy. This is why the South African NDP is believed to be led by the concept and principles of social enterprises and social entrepreneurship as part of the emphasis on the social economy. Various policies in South Africa have contributed to social development by addressing the socio-economic needs of the population, especially the poor, marginalized and historically disadvantaged. The capacity to stimulate and foster productive economic activities and growth in improving the living conditions of people whilst reducing poverty, is the view held by Van Dijk and Croucamp (in Subban & Vyas-Doorgapersad 2014:500) which idea is generically linked to stimulating the social economy.

The fundamental role of government is to provide an enabling environment and adequate regulatory frameworks for SMMEs to flourish as alternate employment. Future research ought to be directed towards efficiency and effectiveness of government policies towards building a stronger social economy. Aligned to this notion in the context of rural development, Subban and Theron (2012: 28) state that, although research has been done on the review and assessment of integrated development plans to ensure that governance in municipalities is less generic and more public participatory, less descriptive and more prescriptive in nature, less institution-oriented and more client-output and impact-oriented – these integrated development plans must address and target rural development initiatives in contributing to

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social entrepreneurship and job creation. A good example in this regard also includes local economic development projects as potential avenues in the social economy. In addition, another dimension is to review the sustainability of the enabling environment for the booming of the social economy.

8. CONCLUSION

The conclusion of the chapter brings together the notion that social challenges of contemporary society requires more than government structures for solutions. As such, the potential of the social economy or the third sector is a paradigm of modern approaches mostly recognised by governments today for solving societal problems through the involvement of both public and private sectors including a focus on co-operatives. The social economy tends to assist in filling the gaps in the emerging social spaces where public and private sectors are coalescing with the provision of basic societal services. The relationship between the social economy and labour markets cannot be underestimated. There is a continuation of provision of social services and employment creation. In so doing, the social economy and social entrepreneurship represent important spheres for societal and economic development. Globally, the presence of the social economy and social entrepreneurship has created much impact and popularity, especially in the areas of job creation and poverty alleviation.

In South Africa, the post-apartheid government has been involved in political, social and economic changes that inform social transformation. The global recession of 2008 prompted more government intervention processes to tackle the challenges of poverty, unemployment, inequalities and also to move the economy away from its current poor state. Prioritizing poverty, unemployment, inequalities and the provision of policy framework to support the development of social economy and social entrepreneurship are considered positive initiatives from the government. However, with the shrinking of the GDP and persistence rise in the societal upheavals, one tends to question if a focus on the social economy and social entrepreneurship can reposition the South African society to achieve the vision of 2030. Having said this, much is still needed from the government's side to ensure an enabling environment and a sustainable platform for the social economy to operate within the current dispensation in the country. The authors concede that there is a need to move away from economic oppression towards entrepreneurial freedom in the quest for advancing the social economy.

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KEY TERMS AND DEFINITIONS

Economy: The general overview of the health of the nation.

Entrepreneurship: An innovative means of survival which contributes into the economy.

Poverty: A situation where one is not able to provide for himself the basic necessities beyond a limit.

Recession: Decline in the global economy.

Role of Government: The responsibilities or expectations of people from the governing body.

Social Economy: This is neither a private nor a public sector with the aim to assist government in ensuring service delivery.

Unemployment: A situation where a person is not able to get a job to satisfy his/her basic needs.

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Chapter 50
Shrinkage of Rural Areas as a Result of Urbanization and Migration Processes in Mexico

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ABSTRACT

The study of tendencies in economic and environmental shrinkage is tied to the expressions of substantive changes in complexity of determinant contexts of internal and migration flows. This chapter answers the challenges posed by economic tendencies, using the theories and models and does not fall victim to simplistic projections and conjectures and theories based more in speculation than in fact. The method used is the critical analysis of economic, social, and political tendencies in relation to the situation of shrinking cities in Mexico. The results of this analysis led to the finding that the shrinkage process in Mexico, as a developing economy, does not follow the same patterns of well-developed countries, and an increase in shrinking cities has occurred since the middle of the 1950s and the use of incentives in some localities to attract economic growth have had modest success in turning around the shrinking process.

INTRODUCTION

The study and research on shrinking cities is a new field in Mexico. Research in the topic of shrinking cities in México is often criticized for lacking theoretical foundations or for insufficient reference to theory to explain the findings from empirical studies. This paper is aimed to address this criticism.

The issue of shrinking and decline in population and economic prowess provokes always reactions due to political sensitivity. In general terms, shrinkage is only one side of the coin, being growth the other one. Mexican researchers and academics are more worried on the fast growing rate of population and its spatial and territorial implications. While the more advanced and post industrial economies of the world are thinking in how to turn around city shrinkage into a steady growth, less developed economies are worrying in the implications of the urban fast growing rate of population and its territorial redistribution to stabilize development.

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Maybe it is necessary to develop shrinkage typology to better characterize the phenomena. One point is important to stress here. While in the advanced countries are talking about the shrinkage process as the result of post industrial, post modern development, here in México where the industrialization process is still initiating, the process is taking place due to other causes, such as the most urgent drive of people for survival.

In general terms, the situation of shrinking cities in México does not follow the same patterns of well developed countries, where an increase in shrinking cities occurs since the middle of the 1950s (Oswalt, 2005) and the use of incentives in some localities to attract economic growth have had modest success to turn around the shrinking process

The concept of urban development is the way to analyze relationships between society, nature and progress and their representations in socioeconomic and political terms. The idea of progress is basic to understand and assess the different elements of contemporary society through different theories of development, from lineal development of Rostow to theories of Zero growth.

There are a variation of conceptual and theoretical proposals to analyze the decline and shrinking of human settlements: flows, decisions, phases, stages and composition of migration (Tuirán et al., 2000:31; Brown, 1991) sometimes inserted in evolutionist schemas, theories about the phases of economic development or social modernization that leads to an urban transition and mobility models based on a pioneering trajectory. Of course, these evolutionary schemes do not have a general applicability because in some cases are related only to determined movements such as exchanges between regions, urban and rural zones, and intra urban, between center and periphery in metropolitan areas, etc.

The study of tendencies in economic and environmental shrinkage is tide to the expressions of substantive changes in the complexity of determinant contexts of internal and migration flows. Population mobility is the strategic rational response of survival in an instable economic, social and political environment. At the same time, it is important to analyze the tendencies according to the economic changes using the theories and models and no to fall down victim of simplistic projections and conjectures or resound theories based more in speculation than in facts.

Over all, the determinant factors of shrinkage are suffering mutations as the result of the new economics and the emergence of new forms of population mobility. The base of these changes in Mexico is the economic liberalization and structural adjustment programs, the increasing capital mobility, major requests and demands from the labor market, advances in telecommunications and transport, productivity conversion, increasing of export activities, comparative advantages and relocation of industrial activities.

An approximation to the most classic analysis of shrinkage and its coverage allows that any theory can operate under its logic. The clue is the fact that factors can be attributes of the spatial areas which are interpreted over a common base by the agents. Although originally were close the gravitational approaches which depended of migration flows of distance and population of localities and communities, rapidly the attraction and expulsion factors widen and start to include economic, social, environmental and political factors.

MACROECONOMIC THEORY

From a macroeconomic perspective, economic shrinkage is analyzed according to its functions in the economic system in which it occurs. Macroeconomics and neo-classical models explain the shrinkage decision as a cost-benefit calculation (Davis, Stecklov & Winters, 2002, p. 292). The classic economic

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theory supposes that the agents can determine with certainty the occurrence of events and anticipate the utility in front of results which will provoke different future events. Agents have the capacity to compare alternatives and are capable to choice in a coherent way the one that represents the best utility.

The macroeconomics theory departs from the assumption that economic shrinking contributes to the equilibrium of local and regional markets, such as labor and real estate markets or economic sectors with patterns of specific territorial localization. The classic model of sector equilibrium (Yúñez, 1978; Renis & Fei, 1961) tries to explain rural shrinkage due to movements of labor force to the urban industrial sector of high productivity and better wages. Disarrangement between periods of growth and periods of lack of growth leads to disorders in a steady community growth or shrinkage.

The velocity of these processes depends of capital accumulation rate in the modern sector. Still now, theories and conceptual frameworks consider shrinkage of localities as an adjustment mechanism of economic and labor disequilibrium. (Maré & Timmins, 2000, p. 1). However, there are studies that doubt about the homeostatic capacity of shrinkage to equilibrate relative salaries and to harmonize employment levels or to assess sector productivity. Aroca (2003) has found that all the revised studies use diverse methodologies and arrive to the same conclusion: The market is not enough to equilibrate regional differentials in employment.

THEORY OF SOCIAL PROCESSES AND PUBLIC ACTION

One strand in the research of the economic development shrinkage processes is indirectly achieved by the analysis of social, political and economic development using the theory of social processes. Sociology recognizes the role of rationality and the importance of aggregated disequilibria as causes leading to social processes and individual decisions. The theory of social processes contains a series of concepts which mediate without eliminate or substitute the primacy of economic factors to explain the shrinkage phenomena.

Social processes also recognize as a force the orientation of the action and the distinction of diverse types of rationality behind this orientation: Means to ends, means to values, traditional or routine, charismatic (Weber, 1992). Other force is the motivations no conscious discovered and underlined by Freud and the psychoanalysis (Alsted, 2001); although these motivations are related to the heterogeneity of economic preferences. Also, the social construction (Berger & Luckmann, 1968) and the influence of external factors such as group of pairs, media, power and authority, etc., make complex the individual evaluation of behavior from costs and benefits analysis.

Shrinking and decline of cities can be understood as a process or decisions determined by public action or inaction. Political scientists concentrate in the sense and effects of population policies, and legal and managerial dispositions that limit displacements and mobilizations of people, direct incentives to promote or avoid migration displacements, investments and policies of sectors oriented to spatial redistribution of people, local government actions, etc. Other processes promote shrinkage and decline of cities, such as governance crisis, internal armed movements, political violence, etc. Some explicit restrictions derived from public action, such as prohibition of population of protected areas by historical, cultural or environmental reasons, dangerous areas exposed to natural catastrophes, etc.

The hypothesis that territorial disparities of natural growth are the responsible of population transformations is rejected. There is evidence that factors which drive migration are the clue.

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The research and study of shrinkage in México is focused mostly on patterns and tendencies of the population spatial distribution, internal and external migration and other expressions of mobility, and maintain some specificity for the relevant actors in the processes of spatial occupation according to the rural and urban characteristics of localities. Internal and external migration is a decisive factor in territorial distribution, taking into consideration the low fecundity rate and contextual transformations of the economic and social considerations.

Spatial Distribution of Mexican Population

The actual spatial distribution of population in Mexico is marked by the path dependence based on circular and accumulative causation properly oriented by large investments, irreversible and operating with increasing returns by scope and scale economies. Some areas of high population density were established since the Aztec period.

At the international level, Mexico is the 11th among the more populated nations, the second one in Latin America and the 14th in territorial extension in the World. Mexican population is unequally distributed all over the Mexican territory.

In 1950, the population density was 13.1 inhabitants per square kilometer and 1995 was 46 inhabitants per square kilometer. In population density Mexico occupies the number 8 with 46.7 inhabitants per square kilometer. México is among the ten countries with higher population density (Banco Mundial, 1994). During 1940-1980, the birth rate grew achieving 3.4 percent. The last decades, Mexico has reduced its annual birth rate, expecting to achieve 1.19 percent by the year 2010 (INEGI, 2005).

To determine if the population of a city is growing or shrinking, should be calculated with data of natural growth rate of population and added or subtracted the net migration rate. Studies suggest that population redistribution is originated basically by the existence of positive and negative migration and not for the territorial differences of vegetative growth.

In the last 50 years in México have taken place powerful process of spatial redistribution, achieving almost 80 percent of urbanization and maintained demographic stagnation in rural areas and its condition of population expulsion. Among other tendencies presented during the last 50 years, has been the occupation of traditional empty spaces in the Yucatan Peninsula and the adjacent area to the Rio Bravo or Rio Grande in the USA-Mexico border. When many maquiladora (in bound) enterprises of northern Mexico closed as their owners have moved the businesses to China in search of lower costs and higher profits, in a race to the bottom, still the large cities (Tijuana, Mexicali, Cd. Juárez, Nuevo Laredo, Reynosa, Matamoros, etc.) alongside de Mexican border continued receiving migrants from the South of Mexico and central America.

Population is more concentrated in the states neighboring Mexico City, the states with important economic and industrial development: City of México, Federal district, Veracruz, Jalisco and Puebla, These states account for 10.7% the national territory and have 41.2% of national population.

Urbanization Process and Rural Shrinkage

By its gravitation in the growth of urban population, rural – urban movements have been singular in the last 50 years in Mexico. Before 1940, México counted on larger rural population than urban population. In 1940 the urban population was only 35.1 considered who lived in localities larger than 2 500 inhabit-

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ants. The accelerated process of urbanization starting the 1940s was paralleled with a strong population growth and migration movements from the rural areas to the large cities. Peasants abandoned the country side lured by the employment offered by the promising industrialization by import substitution model of development. During the period 1940-1970, Mexico City, Guadalajara and Monterrey become greater metropolitan areas.

The development model of Industrialization by import substitution, from 1940 to 1982, had profound demographic, territorial and economic impact derived from its economic, political and sociocultural urban locus. It disentangled urbanization, rural exodus and population concentration in large cities which offered better opportunities than in the rest of the territory. The exhaustion of the substitutive strategy and the accumulation of numerous problems in large cities led to a catastrophic vision of the future and generated incentives and pressures to relocate population. People started to displace from large cities to small localities around the large cities.

Among other reasons to explain why inhabitants of Mexican rural areas abandoned their towns and villages and migrate to the large cities, is the demographic growth in the countryside and the socio-economic dynamism in the cities and consolidation of higher life levels in urban areas. The ten largest metropolitan areas in Mexico, accounts for one third of the country's population and generate 62 per cent of national value added. There are numerous empirical studies based on gravitational models with an economic component that provide evidences to support this finding.

Evidences of a New Rural: Low Growth and Depopulation

Transition from a situation of predominant demographic growth by the mid XX Century to a new stage of large increase in urban population at the beginning of the XXI Century, is the most characteristic expression of spatial and territorial redistribution. Rural communities have achieved low rate of population growth and even depopulation. Empirical evidences suggest that the advance of urbanization is a general tendency linked to rural depopulation

However, some analysts have concluded that the notion of depopulation in rural areas has not empirical evidence because population is stable since the 70s. This assertion may be truth when considering the national level but when looking at specific rural communities, easily can be found that some of them are already depopulated and even had disappeared, such as some localities in the state of Zacatecas, Jalisco, Michoacán, etc.

The differential of demographic growth between the rural and urban areas can be attributed to the population mobilization, transfer and migration of people from the rural areas to the cities. Starting the decade of the 1960s the relation rural – urban population changes until nowadays when the population is predominantly urban while the rural communities have been shrinking. Until the 1970s the demographic increment of Mexican cities was due to the internal migration process. Internal migration is one of the components of population change, a variable of the compensation equation at local scale and as a force modeling the territorial distribution of population, metropolitan concentration, urbanization, regional shrinkage, etc. As important as the direct impact on population growth are the consequences for the characteristics of population, in particular the structure of gender and age.

The exchange dynamics of rural – urban population explains the fast growing of some cities in Mexico (Rodríguez & Villa, 1998; 1996). By the mid 1970s an increasing level of urbanization is tied to an inter cities and intra urban movements more related with residence motivations in the suburban areas.

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Evidences indicate that during the 1980s with the economic crisis in México, the economic liberalization centered on the neoliberal economic policy of development, there were some pressure in survival for the poor rural and urban people to find better employments.

Young people have more necessities and probabilities to migrate from the rural to urban areas to continue their studies, improve education and look for higher labor and economic perspectives in other places than their own localities. Depending of the diversification level of productive structures and labor demand linked to informal jobs and services offered in the cities, it has been detected a visible attraction for women and younger people coming from other rural or urban localities (CEPAL, 1995a; Lattes & Recchini, 1996).

The rate of rural poverty diminished 15 percent between 1970 and 1990 while the urban poverty increased in 30 percent. An explanation maybe that rural poor migrated to the urban areas searching for new employment opportunities. 80 percent of the poor people live in rural areas (Hoffman & Centeno, 2004). These data shows also that the rural areas are shrinking. Still nowadays, in a country like Mexico that has significant levels of rural areas, the movements from rural to urban areas continue having quantitative importance, leaving behind the countryside in a shrinkage and disaster. The renovated dynamism of intermediate cities was the attraction for internal immigrants canceling or attenuating the attraction of traditional large cities like Mexico City and Guadalajara after the 1985 earthquake.

Cities alongside the Mexican-United States of America border are receiving an important influx of migration from Mexican states with less economic growth. Agriculture development in the Northwest states of México, birth of the "green revolution" produced growing commercial and distribution centers. Important touristy cities and urban centers associated to oil exploitation became large. In 1970 only 4 cities had more than 500 thousand inhabitants and in 1990 the number of cities was 21, in 1995, were 28 out of which, 7 had more than one million inhabitants and 14 Mexican states counted with localities of more than 500 thousand inhabitants, and 108 cities had more than 100 inhabitants (INEGI, 1996).

The export oriented strategy implemented in Mexico since 1982 based on an intensive use of raw materials and abundant and cheap labor, untied expectations for the revitalization of rural areas. Unfortunately the results have been negative due to the structural adjustment programs implemented and the lack of negotiations in the agricultural chapter of the North American Free Trade Agreement (NAFTA). However, masculine rural migration to the urban areas and to the United States of America has increased as a consequence of bad negotiations in the agriculture chapter of NAFTA.

Empirical studies linked to the process of migration give support to the hypothesis of rural declining but also some studies show a declining urban and metropolization processes. Constant population decline in rural areas is an effect of migration to the urban areas due to factors such as the increment of mono cultivation and the lack of competitive advantages for traditional crops after the introduction of North American Free Trade Agreement. The rural productive structures have a direct influence in minor masculine migration from the rural areas before 1994 when the North American Free Trade Agreement (NAFTA) began.

NAFTA is adding more negative results to the dismantled agricultural activities, and thus, has created a segmented production: Those who have technology, capital and have inserted in the international commercial networks and the immense majority who even can not produce at the level of self consumption because is more expensive to cultivate grains that to buy them in the import market. A massive migration from the countryside has been the result when the assumption was just the opposite: NAFTA would bring the needed employments.

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The population living in rural areas changed from 41.3 percent in 1970, to 28.7 percent in 1990 and 25 percent in the year 2000. In 1970, the number of localities with less than 2, 500 inhabitants was 97.8 percent; for 1995 was 98. 6 percent and its participation in the total population had diminished from 41,3 percent to 26.3 percent. Most of the rural communities are shrinking. There is an inverse tendency between the proportion of number of rural localities and the proportion that live in there. The exceptions are the localities of less than 100 inhabitants maintaining 2.9 percent of total population. An explanation maybe the need to live nearby the cultivated land is related with the foundation of new micro settlements. This phenomenon of increasing small communities has important effects in biodiversity.

Scholars reject the hypothesis that sustained the recovery of rural demographic growth although based on the assumption that there is a direct relationship between the movement of production and the movement of people. Although the Mexican agricultural economy has been transformed and liberalized, however this fact has not reverted the tendency of rural migration to the urban areas (Kay, 1999), and even to the USA. Also, liberalization of agricultural economy has created a more segmented producers (Tejo & Nagel, 2002), incremented the mobility of more urban skilled workers who maintain double residence (David, 2001; Ahsley & Maxwell, 2001; Kay, 1999; Dirven, 2001).

The economic development model leads to a major territorial concentration of agricultural land and therefore, to reduce the number of real estates (fincas) and to increase the number of small localities and communities. The marginalized rural communities also lack of acceptable conditions for human life such as infrastructure for utilities, household water supply, schooling, health services, etc. It is possible to consider the population without any grounding to the economic and political development of the country.

New Rural and Urban Spatial Distribution

There is, however, a clear negative correlation between the urban percentage and rural percent of growth population. More precisely are the evidences for rural dispersion, instability and heterogeneity of population. for the case of Mexico in 1995 more than 10 million people lived in almost 185 thousand localities with less than 500 inhabitants (CONAPO, 1999; Rubalcava, 2001). They also concluded the instability of these localities which increased dramatically between 1990 and 1995 which can be associated to historical patterns of mobility for survival purposes.

Nowadays, the tendency of rural – urban transference is changing; the intensity of transference of rural people to the large cities in México has an inverse relation to the urbanization levels. This means and in the near future, large cities, like Mexico City, Guadalajara, Monterrey, Puebla, León, etc., will have some shrinking areas, like is already occurring in the downtown and commercial oriented zones of these cities, due to changing of soil use.

Following the overall crisis of the Mexican economy in the early 1980s and mid 1990s and the restructuring and liberalization that ensued, a large number of smaller establishments were forced to close down as they could not keep up with foreign competitors. In parallel to these processes of de-industrialization, Mexico City has experienced uneven economic growth, stagnation and decline of formal economy, formal retail has shrunk in relative terms, and the counterpart to this growth at the top has been the spread of micro businesses and the unprecedented expansion of the informal sector (Potkin, 2002).

Even though Mexico City still represents the largest concentration of industrial activities in Mexico, the significance of this sector in the local economy has decreased significantly over the past few decades, and the tertiary sector has become the driving force of the regional economy. The problematic transition

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of Mexico City has produced an increasingly fragmented metropolis, evident signs of special unevenness and territorial disjointedness. The majority of the inhabitants of Mexico City stays at home rather than use the city in their free time. However, the persistence gravitation of Mexico City, although it registers natural growth rate of population below the national average, is explained by sustainable immigration

A generalized and enduring economic crisis is marked by an absence of local alternatives of employment and conditions of limited economic options. Every year, around 1.2 million people need to be incorporated to the labor force. However, in recent years as a response to a new socioeconomic scenario, other new forms of population mobility have appeared differentiated from the traditional migration, such as temporal movements, cyclical, seasonal and periodical related to the rural component.

Population movements directed toward the internal frontiers or colonization's fronts, attract young people and have been characterized in great proportion by being temporal. Some colonization areas suddenly experienced notable growth in rural population for a period of time, but suddenly shrunk (Reboratti, 1992, 1990). People involved in these displacements moves from one front to a new one, always looking to improve living conditions and higher returns.

Most of these displacements are caused by the effects of the new economic activities, such as tourism and recreation, seasonal exports, mining and others, always in function of the labor flexibility that characterizes temporal agriculture activities. Some Mexican cities are considered artifacts of globalization linked to life styles and increasing global network of demographic and economic relationships, as it is the case of Cancun, Acapulco, Vallarta, Mazatlán, Los Cabos, etc. Cancún, in Quintana Roo registers important immigration associated to the tourism expansion.

A similar situation is observed in large cities on the states near the United States border: Baja California, Sonora, Chihuahua, Coahuila, Tamaulipas y Nuevo León, already inserted in global economic and production processes. The ongoing economic globalization process is reinforcing the border economies of Mexico because their privileged position for commercial exchange. As a result, Tijuana is the fastest growing city in México.

Central and Southern Mexican states which have important concentrations of rural and indigenous populations; however they register small concentrations of young people. There is a tendency that will continue in the following years: Young people will have more relative representation in the urban than in rural environment in the future. However, the percentage of young urban population and the total urban population is almost close, probably as the product of major urbanization processes.

Mexico City's development in the global economy is considerably vulnerable due to its lack of resilience to macroeconomic shifts and its dependent position within the international urban hierarchy. The globalized enclaves of Mexico City are functionally and territorially disconnected from the rest of the city, where the most alarming sign of urban change manifests itself, namely the enormous swelling of the informal economy.

Internal Conflicts and Natural Disasters

Internal conflicts and natural disasters have provoked massive displacements of population, affected families, severe social, economic and environmental consequences, and the shrinkage of towns and villages. In the history of Mexico is registered the facts that Mayan cities had been devastated by catastrophes and natural disasters. Some of the Mayan cities, like Tikal, had shrunk and most of them had disappeared.

Population displacements from México City to the suburban areas, was incremented from 9 percent between 1950.1960 to 22 percent in 1990-1995 (CONAPO, 1998). A large sector of the population which

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is unable both to afford rising prices in the center and to find housing in the rest of Mexico City, has been expelled to the neighboring State of Mexico, where commercial builders are developing massive subdivisions of low quality affordable housing

This migration influences the depopulation of the center of Mexico City (Tuirán, 2000; Sabatini, 1999; Jordán & Simioni, 1998; Gilbert, 1996; Paviani, 1985). Within the historical processes, the dialectics between the rapid peripheral expansion enhanced by the translation of poor population and gradual of depopulation of central areas in large cities like Mexico and Guadalajara. The orientation and selectivity of this migration makes it a factor of spatial demographic and socioeconomic differentiation and creates socio-spatial and residential segregation.

From the perspective of territorial occupancy, there are manifestations of new forms of residential segregation patterns since the economic crisis of 1980, although it is an old phenomenon and not exclusive of México. In 1970 existed 4000 and by 1996 were more than 100 thousand of these closed urbanizations.

The literature on structure of intra urban neighborhoods, colonies and suburban areas has identified opposing forces, although is marked by the real estate market behavior and population policies. Sometimes, these policies and market behavior implies the programmed virtual displacement of poor families to get rid off them from the wealthy residential areas (Villa & Rodríguez, 1997).

In Mexico, while the middle class is impoverishing, the higher class looks for closed urbanizations in protected areas. Gated communities legitimize residential segregation, increase inequality and polarization of cities. The sprawling and fragmented Mexican large cities face the challenges to reintegrate the mosaic of segregated settlements and built typologies, respond adequately to the mounting needs for housing and urban space and to alleviate the still increasing housing shortage while at the same time controlling metropolitan expansion. By reinforcing the existing segregation pattern of a rich west and south and a poor north and east, they are the new face of today's urban sprawl in Mexico City's metropolitan area (Potkin, 2002).

Insufficiency of Policies

The lack of research in this topic does not allow affirming seriously regarding the relationship between the emergence of small locations and communities and the economic problems of the Mexican country in the last decade, although the increment of dispersed population in smaller rural communities and the shrinkage of larger ones, signal a worrying situation for the provision of infrastructure and utilities. The dispersion of rural locations and communities had increased in terms of poverty and internal exodus. The absence, discontinuity and quality of data on natural growth do not allow assessing correctly the future scenarios.

From the geographical perspective, the spatial concentration of these small settlements takes place in territories that have poor accessibility and a weak functional integration to important central locations. Considering the high supply costs of basic utilities to benefit all the communities, and the generalized extreme poverty conditions of people living there, it is required more productive strategies targeted toward the improvement of economic and social conditions.

Other serious problem is the population pressure over the scarce and not renewable natural resources such as water, forest, soil, etc., related to the food capacity. Greater concentration of population settled in a rural community is related to diminish the cultivable land per capita, and gradually the supplies have to be seeking in other regions. In this sense, the greater urban concentrations are related with the environmental deterioration, as it is the case of the central part and the Northern border line of Mexico.

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Some studies are aimed to anticipate the environmental consequences of future tendencies of population distribution, over all in fragile and high vulnerable ecosystems (Gómez de León & Rabell Romero, 2001. P. 595).

Among the population policies, there has been governmental intention to achieve population - territory equilibrium through programs for medium size cities such as public management decentralization, health and education services decentralization and municipal promotion. There is a territorial valorization in the strategies targeted to promote economic growth and policies to combat territorial mechanisms that reproduce poverty such as the program Progresa-oportunidades in México.

Policies as instruments for intervention must have as objectives to sustainable exploit territorial potentialities, reduce social exclusion and avoid natural catastrophic disasters. The dramatic effects of natural disasters are devastating and require territorial ordering plans to avoid human settlements in areas of high risks or to prevent possible threats. There are not empirical evidences in the studies that the free operation of the market leads naturally to better process of spatial redistribution of population and economic development.

On the contrary, there is a wide consensus that the market failures can cause more troubles than solutions. Public policies are necessary to create incentives, for the transparency of costs, to compensate externalities, to avoid asymmetric information and imperfect competency, etc. in order to develop programs of territorial distribution of population and promotion of programs for sustainable economic, social and political development.

HISTORICAL APPROACHES AND RESOURCE BASED THEORY

There is a strong strand of literature in the analysis of case studies recounting the rise and fall of mining cities and towns in Mexico, depending of mining firms. Most of these studies are historical and sociological recounts and not necessarily sustained by a specific theoretical framework.

Most of the case studies are not historiography properly speaking but historic interpretation, and more closely, economic history. Their limitations and the risk of misinterpretations depend of the analyses done by the historians regarding the history of mining in Mexico and the colonial history. The method of historic exploration used is the revision and compilation of studies related to the topic of shrinking cities, which have been interpreted under the optic of historic materialism, procuring to show the contradictions that characterized the mining activities as part of the colonial exploitation scheme. With the theory development of second contradiction of capitalism, O´Connor (2001) sustains that economic growth since the industrial revolution has been achieved at expensive costs for the autonomy of human communities and for the natural environment

The historic materialism and the outlined Marxist revisionism set the theoretical framework to focus the problem, without being this approach necessarily the radicalization of the point of view and leaving an open space to the scientific reasoning of different theoretical perspectives that can provide support to the analysis of the problem being under study. This focus to the problem do not necessarily means to embrace

Thus, the methodological resource is deductive procuring disentangle the inherent logic in the social and economic formation of New Spain, as it was named Mexico during the colonial times, regarding the reproductive infrastructural scheme. The method of historic interpretation used is the sociologic that

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begins understanding the inherent logic of the studied phenomenology in general, in deductive manner, and proved through inferential statistics in the particularities of the related phenomenon. In this form are deducted the interactions of the laws that explain the phenomenology treated at macro-social level and lately, are proved the outlined asseverations as a research hypothesis at micro level.

The resource based theory may offer a framework to further the study and research of these historical and sociological recounts in the field of shrinking cities. Resource-based theory provides the framework to explain how organizations achieve sustainable competitive advantages. A resource is a kind of production factor which is at the firms' disposal, that is, each one is controlled by the firm in spite of having no property right to it. Additionally, any resource is able to create a competitive advantage if it has certain features. Resource based theory treats enterprises as potential creators of value-added capabilities.

The theory focuses on the idea of costly-to-copy attributes of the firm as sources of business returns and the means to achieve superior performance and competitive advantage (Barney, 1986; Conner, 1991; Hamel & Prahalad, 1996). As Grover Grover, Teng & Cheon (1998) explain, "the essence of a resource-based theory is that given resource heterogeneity and resource immobility and satisfaction of the requirement of value, rareness, imperfect immitability, and non substitutability, firms' resources can be a source of sustained competitive advantage". One of the objectives of the theory is to appreciate why competences can be perceived as a firms' most valuable asset and, at the same time, to understand how those assets can be used to improve business performance. Undervaluing urban areas can unwittingly place the economic and social futures of countries at risk.

The historic roots of the urban profile are found in the logic of the conquerors that valuated urban localization for the achievement of economic, political and ideological objectives. During the colonial period in México, mining was the gravitational sector of socio economic development inserted in the primary extracting and export scheme logic under the metropolitan- periphery colonial dependency context of the capitalism in transition from the bilateral mercantilism to the multilateral industrial capital. The local economies of the different Mexican regions were more obedient to transnational interests during the different stages of development: Colonialism, economic liberalism, industrialization by import substitution and the neoliberal regimes.

Colonization of New Spain is characterized by an abrupt demographic reduction of indigenous population. By 1518, a year before the arrival of Cortés to the Mexican land, the indigenous population was estimated between 16 and 25 million people (Borah, 1982; Cook & Borah, 1980; Cook & Simpson, 1948). One century later the indigenous population were roughly one million 200 hundred thousand due to several causes such as epidemic ills and the mortally rates resulted from the war of conquest.

The metal orientation mentality of the Spaniards is going to be the main reason of population mobility toward the exploration of new territories to find the silver and gold mines. The Iberian migrants had the mentality that the wealth was given by God through the precious metals and not as the product of work. The discovery of silver deposits in Zacatecas in 1546 is the first colonial antecedent that started the population mobilizations to form new settlements near the mines. Other natural deposits of gold and silver were discovered in Chihuahua and lately in San Luis Potosi. The Northern region of Mexico was populated and a heavy transit and traffic followed between this places and the metropolis, México City.

The disarticulated internal economic structure has been more oriented toward the exploitation of natural resources more for the transnational capital than for the welfare of the Mexican population and its demographic development. Numerous cities, towns and villages were founded under this logic. When the economic gravitational centers moved to the Northern countries, following the interests of the

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international economic structure these cities and towns declined and shrunk, showing that the colonial heritage is the development of underdevelopment. Today, most of these affluent and wealthy cities are ghost towns or have already disappeared. These are analysis of case studies in the literature of shrinking cities, towns and villages.

The successful periods of mining exploitations are related to the population growth and the increase of economic development of the mining cities and towns. During these successful periods, distinct clusters emerged against which patterns of factors could be distinguished that appeared to account for the variations in successful adoption in the firms studied. To explain these findings a number of theories can be initially considered, but, building on the recent work of others cited above, resource-based theory appears to offer possible explanations, given that the determinant factors identified are both clearly associated with the internal contexts of the firms. Moreover, resource-based theory argues that sustained advantage results from unique attributes of a firm developed over time – therefore it could explain why some firms had evolved to become more successful than others in this context.

Vargas-Hernández (2007) analyzes the shrinkage of mining towns in Mexico which are going through a shrinking and declining processes after having an enormous impact in economic development. This shrinking process of the mining towns posits a trap and a dilemma in economic development: From being ghost towns, at the turning point the inhabitants are mobilizing to defend historical and cultural heritage and environmental survival from the mining companies and to find alternative activities such as cultural tourism which may brings the needed resources.

The Evidence of the Mining Towns' Shrinkage in México

Mining had a tremendous importance to Mexico's economy. The mining industry was an economic indicator during the colonial times in Mexico. Since the pre-hispanic times, mining has played an important role in political and economic history of Mexico. Spanish colonizers were attracted by the rich mines and with the discovery of new ones. The mining activity was the incentive for the foundation of new villages and towns far away from the large cities and with difficult access. Houses were built with adobes covered with tejamanil on the slops of the mountains and between a dark and dense fog, without any order or sense of space according to the needs of the mines (Flores Clair, 1997). These new villages and towns were populated and had grown until reach the status of cities during the colonial times.

Starting from the discovery of the first mine in the Nueva España in 1532 it followed a giddy exploitation of precious metals all over the territory. In 1546 in the Hill La Bufa, State of Zacatecas started the process of colonization centered in the indicator the location of gold and silver as the mineral resources to be exploited. The precious metal oriented mentality of the Spanish conquerors was the main cause of population mobility in the exploration of new territories and the foundation of new towns and villages mainly in the highlands (Zacatecas, Chihuahua, San Luis Potosí, etc.) and lowlands (El Bajío, Guanajuato, etc.) around the mines of gold and silver.

In 1564 the mines of Guanajuato initiated activities followed by a massive migration to populate Guanajuato and the Bajío. The productive schema of Guanajuato was linked to the mining production by providing the necessary goods and services to Zacatecas and further to the North. The scattered Haciendas (Ranchs), villages and towns founded in the El Bajío were the economic units that produced the goods and services supplied. Mining activities had a sustainable growth before 1600 when the towns and villages also grew and some achieved the status of cities, such as Zacatecas and Guanajuato.

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During the XVI Century, the populated areas were concentrated around the mining centers, congregations and haciendas, according to the economic activities restricted by the physical territory and oriented toward the agricultural production for self consumption and mining for the export of gold and silver to Spain not for commercial purposes but to accumulate and treasure. The mining sector was the gravitational center of the colonial productive scheme. Villages, towns and cities founded followed this logic and also began to shrink when the mines lower or stopped production.

The demographic catastrophe of the XVI and XVII Centuries caused a scarcity of manpower and the shrinking of mining cities and towns. The Crown protected the indigenous of what was considered inhuman works, such as mining, agricultural activities, and other industrial jobs. This protection to the indigenous people caused that goods and services were expensive, and thus spoliation had to be used. The indigenous population is substituted by Afro-Caribbean people who were introduced to México. The mining development established a sustainable demographic growth until the beginning of the years 1620-30 when the crisis started due to the insufficient supply of mercury necessary for the exploitation of silver. Mining cities, towns and villages also began to shrink.

There were no regulations over the civil population in the mining cities and towns. At the middle of the XVI Century, exploitation of prolific seams was the main cause of the emergence of mining towns spread all over the New Spain territory.

Most of these became cities of great economic and social importance, among them Pachuca, Hidalgo, Parral, etc. The exploitation of precious metals had achieved an outstanding growth by the end of the XVI Century represented more than 80% of total exports from the Nueva España (Estrada, 2001). Around the activities of the mining industry were the motor of the economy around it had emerged other economic activities which provided employment, allowed commercial trade with the metropolis and gave rise to prosperity in the mining towns and cities.

There are many issues regarding the economic history of México to explain. One of these issues is the debate on the decay of the Mexican economic in the XVII and XVIII Centuries. One of the arguments has been the mining production. There is not economic evidence to prove the hypothesis that mining in Mexico had a profound crisis during the XVIII Century and also the parameters used to sustain are not the right data (Ibarra, 1995). Production of silver was multiplied for tour times through the XVIII Century.

To understand and comprehend the meaning of the colonial mining activity, Galeano has said: "En Potosí the silver built temples and palaces, monasteries and gambling dens, offered motive to tragedy and the feast, spilled over blood and wine, inflamed greed and untied squandering and adventure" (Ibarra, 1995). Life in mining cities became harsh and troubled, all type of contrasts, ambitions, and concupiscence and disorder are manifested with harshness.

The decline of the mining industry originated in 1810 although it is questionable the cause: The movement of the Mexican independence and the lack of stable political and social institutions. With the independence of Mexico in 1821, the colonial production scheme based on mining lost the relevant economic role. Mining cities, towns and villages shrunk. The mining activities lost their impulse avoiding to lead an industrial revolution in México.

However, during the second half of the last Century, the decline of the mining activities brought also a shrinking process of the mining cities to the level of converting them in ghost towns. It was until the era of Porfirio Diaz (1880-1910) that the mining activities had a modest growth exploited by English and American mining companies, insufficient to provide work for the expansive growth of populated areas. Recent changes in Mexican legislation have liberalized the mining sector and after the opening of North America Free Trade Agreement (NAFTA) foreign companies have increased investments.

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In Mexico, some early mining towns faded into obscurity while others became centers for ranching and commerce but were abandoned after the declining of mining activities. Mining towns, containing rich Baroque architecture, generally located in mountain areas, did not follow the geometric layout but were adapted to the topographic condition of the sites.

The conquest of northwest Mexico lead to the establishment during colonial times of towns located on the Sierra Madre Occidental where mining was the main economic activity. The State of Sonora in the northwest of Mexico is wealthy in mineral resources. It is the first producer of gold and also produces silver, cooper, and other metals. After the opening of NAFTA, more than 70 foreign mining companies have established offices in Hermosillo the capital of the State. During the XVI century, exploitation of mines located around Guadalupe de los Reyes, San José de las Bocas and Cosalá started. Cosalá was founded in 1562 and became in the XIX century the most important in this region, and in 1898 it produced 50% of the silver exported by the State of Sinaloa.

Among the outstanding mining towns in the North of Mexico are La Bufa, Batopilas, Cerro Colorado, the Raramuri communities of Munérachi, La Yerbabuena, and the Jesuit mission of Satevó with important mining centers as Urique, Maguarichi, Uruachi and Ocampo, Batopilas and the veins of La Bufa reached renown of a world level. Batopilas has preserved, to a great extent, it's architectural heritage from the richness of those times. In it's greatest mining period at the end of the 19th century, Batopilas had up to 7,000 inhabitants. Today, the town is a community of 800 inhabitants.

The mining towns Concepción del Oro y Mazapil were far away from Real de Minas Zacatecas. In 1569, Mazapil had around 150 Spanish settlers. Both mining towns achieved economic relevance in the Province of Nueva Vizcaya during the XVII y XVIII. However, today both cities are ignored by the maps of México. In the Northeast of México, the first foundations such as San Gregorio (1577) and La Trinidad (1577) were based on the discovery of silver mines. The mines of La Iguana were discovered in 1757 near Lampazos.

Mineral de Pozos (a rough translation might be Mineral Wells) is an old mining town in the State of Guanajuato, founded in 1576, when it was built a Fort to protect the silver route, from Zacatecas to México City. During the XIX Century, the town had large periods of abandonment due to the armed movements. It became one of the richest of the colonial mining towns, reaching its peak about 1890. As 20th-century revolution closed the town fell into poverty.

Now, Pozos is gradually reawakening from a small village trapped in the abandonment after being a prosperous city during the mining exploitation. Everywhere in the paved streets can be seen semi destroyed large colonial adobed homes and dismantled buildings that once before were sumptuous. On 1982 was declared Historic Monument of the Nation. From a population of more than 70,000, it shrank to less than 4,000 10 years ago. Today, the 8 thousand remaining inhabitants lived in misery.

At the turn of the XX Century, population started to growth reaching 80, 000 mainly immigrants from abroad and from the neighboring states who were attracted for the facilities to get wealthy. It was established important infrastructure, schools, commercial centers, hotels, restaurants, etc. However, the town was ignored and its buildings looted and ignored, until the fifties when had only 1,000 inhabitants, a ghost town in complete abandonment. Today it has around 5,000 people living there.

San Sebastian in the State of Jalisco is one of the oldest mining towns in Mexico founded in 1605 and reached the highest rate of growth and prosperity during the 17th and 18th Centuries when more than 20, 000 inhabitants populated the town. The population fluctuated in relation to the production of gold until 1930. Nowadays, it has only 600 inhabitants retaining the colonial heritage in public buildings and houses, as an extraordinary example of the traditional living forms of labor in a remote village.

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Real de Arriba in the State of Mexico is an enchanting mining town with a splendorous past. Today, some of the remaining walls and rocks within the forest are ruins that remind us of the great colonial miners' homes and infrastructure buildings which witness the past economic boom of the area. The city of el Oro de Hidalgo also in the State of Mexico were considered the second most rich just after Transvaal, in Africa and still now shows the wealthy architecture of its mining past. Its Museum shows mineral from the mines La Esperanza, Chihuahua, Tiro México, Tiro Skip, La Calera, La Providencia, San Patricio, El Nolan, El Consuelo, La Victoria, Santo Domingo y La Aurora.

The mining district of Pachuca-Real del Monte and El Chico in the second half of the XVIII Century, the most prosperous period, has been studied by Navarrete (2004). Real del Monte received its name in 1577. An anonymous source mentions that there were 1, 300 inhabitants at the end of the XVI Century. In 1610, were 1, 683 inhabitants. At the end of the XVII Century the traveler Giovanni Francesco Gemelli Carreri calculated 12, 000 inhabitants. Using parish church data of 1768, which only registered population in communion, he estimated that Real Del Monte achieved its largest population around the middle of the XVIII Century and it started a gradual drop until it reached its lowest point at the end of the first decade in the XIX Century. Real del Monte produced 10% of the silver of the Nueva Spain (Hausberger, 1995) and had a population of 7, 152 inhabitants.

The military census of 1791 reported that the Jurisdiction of Pachuca had a population of 9 615 inhabitants out of which the 26.7% or 2567 persons forming 608 families belonged to Real del Monte, although the Census did not considered indigenous people, women and children under 16 years old. After 1824, Real del Monte changed its name to Mineral del Monte. In 1858 the population of Mineral del Monte was around 6000 inhabitants and in the Census of 1854 registered 5 310. In 1865 a Census of men older than 18 years registered 1 005 hombres integrated to 700 families. Comparing the data of the Censuses of 1791 and 1865, the number of inhabitants was almost similar, which lead us to conclude that for around 7 decades the growth of population was almost null.

Very good examples of these trends are Charcas, Real de Catorce, Guadalcazar y Cerro de San Pedro en San Luis Potosi, ghost towns that once were important mining cities. Nowhere in Mexico are the changing styles and fortunes of former gold and silver mining towns better displayed than in these four towns. Charcas was refounded in 1584 and had produced more than 3 million dollars worth of silver each year.

Today only survive a few old buildings and large stoned houses. Real de Catorce had a grandeur past with gorgeous buildings, outstanding church and beautiful Palenque. In Guadalcazar, the miners built two magnificent churches and a Casa de Moneda was founded. Cerro de San Pedro now is a ghost town where handful of old buildings has been restored reluctant to completely relinquish their hold over real estate. San Pedro, founded in 1592, was abandoned about fifty years ago.

Analysis of Case Studies on Resource Based Firms Related to Shrinking Cities

There are some case studies that analyze the relationships between resource based firms and the shrinking of cities, more specifically the so called "corporative city" and "Corporative town". One this case study is aimed to analyze the environmental economic development shrinkage of Atenquique after the industrial boom of the paper mill during the second half of the last Century (Vargas-Hernandez, 2007). The town of Atenquique was settled down and grew up in terms of population, social and economic development in the same proportion that the Industrial Company of Atenquique did during the period when the company was property owned by the Mexican State.

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After the Company has been privatized, the town started declining and shrinking in population, social and economic development, and the most disastrous is the environmental hazards. The turning point of this increasing regional development was a conflict between the Union and the new owners of the Company, which represents a struggle for the survival of the old project of development welfare State oriented and the new hegemonic project, the neoliberal model of development.

The impact on the environmental and economic development has initiated the shrinking and declining of Atenquique but also of the surrounding cities and towns, while the new owners are increasing the levels of productivity and profitability. Therefore in order to relate the findings to the core tenets of resource-based theory the focus of the analysis of the case study evidence should be contrasted where appropriate between the successful firm and the shrinkage of the town.

AN AGENDA FOR FUTURE RESEARCH

Further research on shrinking cities should be done in México. Some of the important issues and problems to set an agenda for future research in Mexico are:

Research on economic territorial valuation, real estate markets and its dimensions on social sciences should be done using tools, such as the so called "new economic geography" (Fujita, Krugman & Venables, 2000, p. 3) to outline the dynamics of economic activities on a special distribution and in the context of local and global forces. This research would help to explain which cities can play a role as global cities. The results of this research suggest the feasibility sustainable economic concentration processes in opposition to the classical spatial economic analysis and concentration based on scenarios of relative territorial symmetry.

A simple hypothesis may be suggesting patterns of spatial redistribution of population. Supposing the existence of diseconomies of agglomeration and decreasing yield, it should be expected that the area of major growth should be the less populated

Research should determine the productive vocation of regions and cities. A multidisciplinary approach to differentiate winners and losers areas (Benko & Lipietz, 2000; Caravaca, 1998) associated to a diffuse localization of productive activities and territory should be assessed to reject the geographic determinism under the tendencies of creating the competitive advantage. Caravaca (1998) identifies urban regions inserted globally, innovation and development areas and industrial districts. (Sassen, 1998) identify global cities as winners with concentration.

Also it is important to determine the losers because have been under process of deindustrialization and can not convert their local economies, losers with rural economies of low productivity and scarce human capital not able to insert in a global economy. Territorial expressions of productive structure are relevant to understand patterns of spatial redistribution of population but they are not enough and not always oriented in the same direction.

Research should provide conceptual frameworks for the analysis of relocation processes of economic activities in relation to the spatial redistribution of population to achieve more sustainable productive, economic and demographic dynamics through generation of employment.

The increasing flows of migration inter cities open new challenges for research on tendencies related to residential localization and displacement of population, intra urban segmentation, socioeconomic territorial segmentation, and contra-tendencies such as suburbanization of high income groups in rural areas, etc.

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Social and economic stagnation of rural areas can not continue being postponed as the main cause responsible of the accelerated urbanization process, despite the innumerable signals of exhaustion and overuse of absorption capacity of cities (Castells, 1977, p.58) and the emergent phenomena of local identity projects and dynamism should be recongnized.

Research on rural labor market and urban labor market should be done to analyze the impact on spatial redistribution of population. This analysis should consider the effects of erosion that represents the best qualified people who move from rural communities settlements to large cities or to other country, leaving behind children an old people.

Rehabilitation of inner areas in large cities may improve their living conditions and contribute greatly to social cohesion. Integrated preservation may have an impact on economic development and fosters employment through small scale business development.

Colonial cities, towns and villages spread all over Mexico that are starting to experience economic and demographic decline should begin programs of urban heritage preservation, urban revitalisation, urban rehabilitation, urban regeneration, urban renewal or urban preservation, as tools that can contribute to economic growth through job creation as they are labour intensive. Urban heritage is the built heritage, customs, traditions and identity. Urban heritage preserved in an integrated way in modern life and as part of the living environment, there are more far-reaching benefits.

Preservation of urban heritage contributes to attractive and unique cities, with its own distinctive identity, which are more likely to attract tourism and other kinds of investment than cities with less pronounced identity. People can identify themselves to the place they live in, which contributes to sense of belonging and also has positive impact on the social development of a city.

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KEY TERMS AND DEFINITIONS

Corporative Town: A place where practically all stores and housing is owned by the one company that is the only employer. The company provides infrastructure (housing, stores, transportation, sewage and water) to enable workers to move there and live.

Green Revolution: Increasing of agricultural production worldwide, particularly in the developing world, beginning most markedly in the late 1960s.

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Historical Materialism: A theory of socioeconomic development according to which changes in material conditions (technology and productive capacity) are the primary influence on how society and the economy are organized. Historical materialism looks for the causes of developments and changes in human society in the means by which humans collectively produce the necessities of life.

Indigenous People: Groups specially protected in specified international or national legislation as having a set of specific rights based on their historical ties to a particular territory, and their cultural or historical distinctiveness from other populations.

Industrialization: A period of social and economic change that transforms a human group from an agrarian society into an industrial one.

Residential Segregation: A physical separation of two or more groups into different neighborhoods or a form of segregation that sorts population groups into various neighborhood contexts and shapes the living environment at the neighborhood level.

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Chapter 51
Using Creativity and Social Innovation to Create Social Value and Change

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ABSTRACT

Social challenges are numerous, complex, urgent and multidisciplinary in nature. The old ways of looking for solutions to social problems like unemployment, climate change, an ageing population, poverty, supply of clean water, chronic disease and so on, do not offer sustainable solutions and global implementation. Societies can also no longer hold governments responsible to find solutions to all these social problems only. Social innovation is needed and seeks new answers to social problems by identifying and delivering new services that improve the quality of life of individuals and communities. The main aim of this chapter is to create awareness of social innovation as an emerging field. This chapter explain what social creativity and innovation are and explains the creative and innovative processes. Barriers and support for social innovation are also discussed.

INTRODUCTION

Today's global challenges have economic and social implications on societies and the world at large. Many governmental and philanthropic efforts today are not creating the required social change as required by societies across the world and major social sector institutions are often viewed as ineffective to resolve social issues (Dees, 1998). The importance of social entrepreneurship in economies cannot be underestimated or ignored. Drayton (2010) explains that more social entrepreneurs are needed to solve social problems and to ensure effective and sustainable solutions to social problems.

Social entrepreneurship, according to Peredo and McLean (2006:64), is exercised where some person or group: "(1) aims to create social value exclusively or in some prominent way; (2) shows capacity to recognise and take advantage of opportunities to create value; (3) employs innovation, ranging from

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outright invention to adapting someone else's novelty, in creating and/or distributing social value; (4) is willing to accept a degree of risk in creating and disseminating social value; and (5) is unusually resourceful in being relatively undaunted by scarce assets in pursuing their social value." Social entrepreneurship involves the recognition, evaluation and exploitation of opportunities that result in social value, which differs from the traditional conceptualization of entrepreneurship, which focuses on profit generation and building personal or shareholder wealth (Austin, Stevenson & Wei-Skillern, 2006). The creation of social value is what makes social entrepreneurship a specialised sub-discipline within the field of entrepreneurship. Social value is the fulfilment of basic and long-standing needs in society and normally has to do with food, shelter, education, employment and medical services, according to Certo and Miller (2008). Social entrepreneurs also have a good understanding of social needs and aim to fulfil these needs and make a difference in their communities by creating socially-orientated ventures, for example, the Better World Books UK organisation which addresses the global literacy problem by funding community reading programmes via sales of donated books.

Social entrepreneurs establish new ventures to generate social value and achieve social change and often come up with "an innovative approach for dealing with complex social needs'' (Johnson, 2002:1). Austin et al. (2006:2) explain that social entrepreneurship is the "innovative, social value creating activity that can occur within or across the non-profit, business or government sectors". Social entrepreneurs can therefore be viewed as social innovators (Casson, 2005) due to their engagement in a process of continuous innovation, adaptation and learning (Dees, 1998). Social entrepreneurs are needed to develop new models for a new century and to create new and innovative solutions to solve social problems.

Social innovation is much broader than either social entrepreneurship or social enterprise – although it will often include one or both of these (Social Innovation eXchange (SIX) and the Young Foundation, 2010). Social innovation specifically is critical to tackling issues like economic growth and ensuring long-term sustainability and competitiveness for the future, unemployment, an ageing population, social exclusion due to ageing, poverty and/or cultural diversity, supply of clean water, chronic disease and the need for radically new and innovative public service models, to name a few.

This chapter focuses on social creativity and innovation specifically as means to generate social solutions to complex social problems. The chapter will explain the role of creativity in social innovation and highlight the creative process that social innovators can use to generate novel ideas. Social innovation will be explained, the social innovation process will be described, barriers to social innovation will be identified and ways to support social innovation will be discussed. The main aim of this chapter is to create awareness of social innovation as an emerging and very important field and its link to social entrepreneurship and social enterprises.

BACKGROUND

Today's social challenges are numerous, complex, urgent and multidisciplinary in nature; and the disconnection between economic growth and social wellbeing is increasing (OECD, 2011). In addition, there has been an increase of interest in social entrepreneurship over recent years as it became evident that social entrepreneurship should be conceptualised within the broader competitive environment and that the line between for-profit and not-for-profit enterprises cannot be sustained. Mair and Marti (2006) indicate that social entrepreneurship can take place on a for-profit basis as well as depending on the specific business model and specific social needs being addressed. Social entrepreneurs' main focus is

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on social value creation, but it does not mean that these social initiatives could not embrace an "earned income" strategy as well, according to Mair and Marti (2006). However, people using social initiatives can often not pay for the products or services which can have a huge impact on the for-profit business model. To overcome this, social entrepreneurs require creativity and innovation to think differently when they create social value, combining limited resources to stimulate social change or meeting social needs and when they create products, services or social organisations. This means that social innovation has become a key source for the creation of social value.

Traditionally, innovation was seen as the key source to economic growth and focused on the generation of economic value only (OECD, 2011). However, looking at societies of the future and the social challenges societies are faced with, innovation has become critical to address social challenges and to find better ways to generate social and public value (OECD, 2011). Currently, using social innovation to create innovative solutions is costly and the mobilisation of different shareholders to address social issues can be challenging, although social challenges have a strong mobilising effect. Irrespective of these challenges, innovation to solve social challenges is more apparent now than ever before as a core component towards achieving social wellbeing, as well as social and public value (OECD, 2011).

Social innovation, according to Babu and Pinstrup-Andersen (2007), refers to new strategies, concepts, ideas and organisations that meet social needs. However, before innovation can take place, creativity needs to be applied. For the OECD (2011), social innovation:

seeks new answers to social problems by: identifying and delivering new services that improve the quality of life of individuals and communities; identifying and implementing new labour market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce. Social innovation deals with improving the welfare of individuals and communities through employment, consumption and/or participation, its expressed purpose being to provide solutions for individual and community problems.

Social innovation is clearly linked to local development and is seen as a way to improve the welfare of individuals and communities by providing social change for improving people's quality of life (Social Innovation eXchange (SIX) and the Young Foundation, 2010).

From the discussion thus far, it appears that social innovation can be used to find workable solutions for unsolved social problems, which are often resistant to conventional approaches.

LITERATURE REVIEW

Creativity as Part of Social Innovation

Before innovation can take place, creativity needs to be applied. Creativity is "a successful step into the unknown, getting away from the main track, breaking out of the mould, being open to experience and permitting one thing to lead to another, recombining ideas or seeing new relationships among ideas" (Afolabi, Dionne & Lewis, 2009:2). Creativity leads to the development of new knowledge, products, services and other advances to improve human life and solve problems (Baron & Shane, 2008). Creativity emerges from two cognitive processes primarily. The first cognitive process involves stretching or expanding the internal cognitive frameworks humans construct to organise information and the second

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involves the operation of various facets of human intelligence (Baron & Shane, 2008). Stretching and expanding internal cognitive frameworks take place when concepts are combined to generate something new, expanding existing concepts or using analogy to identify similarities between objects or events that are otherwise dissimilar.

Intelligence can be defined as an individual's ability to understand complex ideas, to adapt effectively to the world around them, to learn from experience, to engage in various forms of reasoning, and to overcome a wide range of obstacles (Baron & Shane, 2008). Human intelligence can be divided into three kinds according to Sternberg (2004, in Baron and Shane, 2008) and is referred to as successful intelligence. These are: (1) *practical intelligence* – the ability to solve everyday life problems; (2) *analytical creativity* – the ability to think critically and analytically and (3) *creative intelligence* – the ability to formulate new ideas and new ways of solving problems. A fourth kind of intelligence is *social intelligence* which can be combined with practical intelligence. This kind refers to the ability to understand others and to get along well with others. Successful intelligence is needed by social innovators. *Emotional intelligence* is linked to social intelligence and refers to self-awareness, self-management, social awareness and relationship management, which are critical for people to understand and manage their own and others' emotions in social interactions (Goleman, Boyatzis & McKee, 2001) and in the creation of social ventures.

Some researchers, for example Rhodes (in Cropley, 2008), Amabile (in Baer & Kaufman, 2005) and Csikszentmihalyi (in Plsek, 1996), explain that creativity is influenced by more than the characteristics of creative people. Aspects like culture, rewards, support, team effectiveness and the freedom to do as one pleases impacts on an individual's creativity (Allen, 2012). Fields and Bisschoff (2014) indicated that factors like challenging the status quo, detachment, synthesis, cognition, association and communication, awareness, similarity, external motivation, sensitivity, experimentation and combination, dimensional thinking, problem-solving, religion, culture, country of origin, family and uniqueness can be used to measure creativity and it can impact on the creative behaviour of social innovators most probably as well.

Four general themes were identified to explain creativity as a phenomenon (Isaksen et al.,1984) and this is indicated in Figure 1.

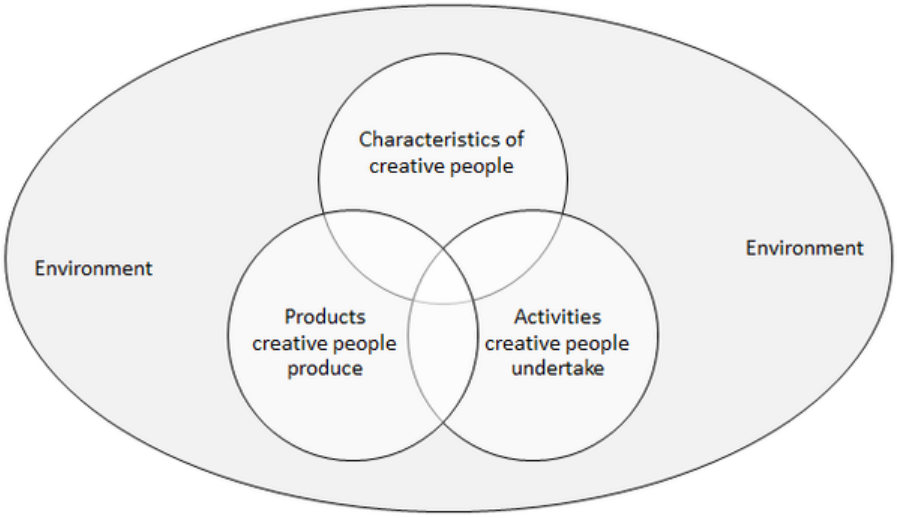
Theme one refers to the personal characteristics of creative people. Stanford GSB Center for Social Innovation (2013) identified the following attributes to make social innovation successful, which can be seen as part of the first theme – personal characteristics of creative people:

- Knowledge is critical and must stretch beyond a specific domain to relate to a broad ecosystem and to make unique connections to find effective solutions to social problems.
- Trust and engagement are required for deep and ongoing collaboration, which is essential for leading social change.
- Innovation must be rooted in deep empathy in terms of the understanding of and sensitivity to the experience of another person.
- Social innovators must be comfortable with ambiguity, risk and be able to see opportunities where others see only obstacles.

Theme two refers to products creative people produce. Products created by social innovators include, to name a few, the Open University which opened up education across the world, Grameen Bank which created the microcredit model to make finance possible for poor people; Oxfam that offers relief of famine and spread humanitarian relief, and NHS Direct ranging from Doctor Foster to the Expert Patients

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Figure 1. Creativity themes
Source: Adapted from Isaksen et al. (1984:67-75)



Programme, which have opened up access to health to ordinary people. These products or services are often created to solve or alleviate social challenges and obstacles to create social value for people. To make these profitable for social innovators and entrepreneurs require skills and tapping into a market that appears to be not profitable to profit driven businesses.

Theme three refers to activities creative people undertake. Activities of social innovators engage in social collaboration, idea generation, searching for funding, engaging with society, listening, and searching for information and knowledge.

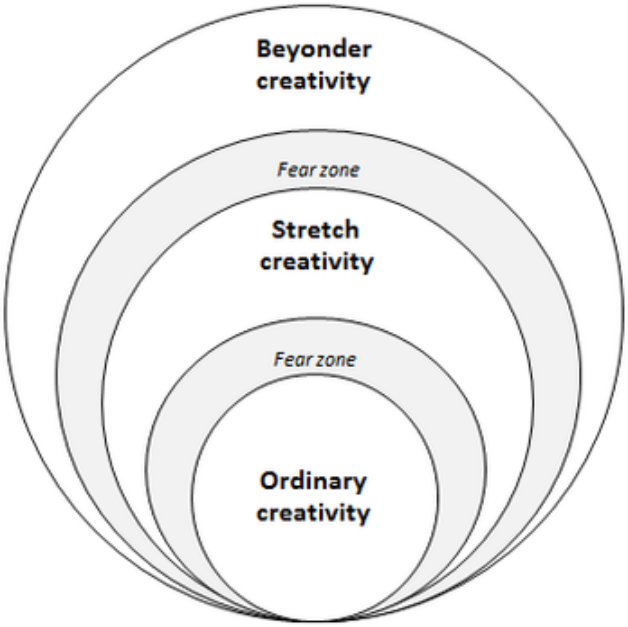
Theme four refers to the environment or context of creativity. The environment can also stimulate or stifle social innovation. In some societies, social innovation is stifled due to power that is tightly monopolized, where free communication is inhibited and where there are no independent sources of funding (Mulgan, 2006). Some innovations might also be seen as too radical and too far ahead of the prevailing levels of technology (Mulgan, 2006). The first three themes overlap and the fourth theme impacts on the other three themes.

Neethling in Ebersohn (2011) explained that individuals fall into one of a number of creativity zones, but are often trapped in one zone due to their fear for change. These zones are illustrated in Figure 2.

As illustrated in Figure 2, people falling in the *ordinary creativity* zone want to make progress, but are trapped by the fear zone that surrounds them. Those people who break through the first fear zone barrier reach a stage of creativity called *stretch creativity*. People in this zone are willing to take risks, are open to new ideas, are willing to reject obsolete beliefs and are willing to be creative even in uncomfortable circumstances. This zone has barriers as well that are imposed by fear. Breaking through these barriers enables an individual to move to the *beyonder creativity* zone where the seemingly impossible becomes possible. At this level a synergy occurs between courage and creativity and the individual remains excited and passionate to find better ideas and solutions (Ebersohn, 2011). This is the level that social innovators should function on to ensure sustainable social innovation takes place. Resolving social challenges is complex and often requires moving beyond current levels of creativity.

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Figure 2. Creativity zones
Source: Neethling (in Ebersohn, 2011:19)



Creativity is part of social innovation and is the first step in the process. At this stage an awareness of a need that is not met and some idea of how it could be met are created (Mulgan, 2006). Creativity methods are used by social innovators to generate as many possibilities to resolve the need as possible. Ideo was created by Edward de Bono to help people to think more laterally and to force creativity when people are faced with more serious problems, like poverty, for example. Design thinking has also been created by Ideo to help tackle problems that seemed almost impossible to solve, which are often the case for social innovators. Design thinking taps into capabilities people have like intuition, to recognise patterns and to construct ideas that are functional and have emotional meaning (Brown & Wyatt, 2010). Except for Ideo, social innovators can also explore ideas from others that can stimulate new idea generation; for example, the Institute for Social inventions, the Global Ideas Bank, MIT's Community Innovation Lab, Melbourne's Social Action Laboratory and South Africa's Affirmative Action Laboratory (Mulgan, 2006).

Social innovators are creative entrepreneurs according to the OECD (2011). They come up with creative solutions and find new ways to deal with complex social issues driven by their vision of social impact. Social innovators are "not content just to give a fish or teach how to fish. They will not rest until they have revolutionized the fishing industry," (Drayton in Bornstein, 2007). The question now is: how can social innovators become more creative?

Approaches Social Innovators Can Use to Become Creative

According to Brabandere and Ivy (2013), to be more creative requires that people do more than simply think "outside the box". They suggest that people need to learn to think in new boxes and create a range of fresh mental models, which are methodically explored and prioritized. The saying to rather think "without boxes" is not supported by them, because according to Brabandere and Ivy (2013: 6), no one

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can "create new ideas without using a range of mental models to simplify things". The brain needs these mental models or boxes according to them. The key to being creative in practical ways and to generate ideas to solve social problems, is to firstly understand existing boxes and then to develop a range of new boxes to solve challenging situations and issues.

To be creative requires divergent thinking when many unique ideas are generated and then convergent thinking when those ideas are combined into the best result (Bronson & Merryman, 2010: 21). Thinking in new boxes will require divergent and convergent thinking and enable a person to gain more control over current boxes as mental representations of reality. In addition, it will also create new boxes to test assumptions, envision new opportunities and strengthen the capacity for innovation (Brabandere & Ivy, 2013). This is extremely important for a social innovator to do. A five-step approach to thinking in new boxes was identified by Brabandere and Ivy (2013) as: (1) Doubt everything; (2) Probe the possible; (3) Diverge where the mind is freed up; (4) Converge where ideas are selected and implemented and; (5) Re-evaluate relentlessly. This process is not easy and requires constant focus and it will lead to a whole new mindset about new boxes.

The creative process consists of five stages according to Kuratko, Morris and Covin (2011) and Table 1 explains how social innovators can apply this. Some of the creative techniques are also explained briefly after Table 1.

Table 1. The creative process

Stage	Explanation of the stage and what social innovators can do at each stage	Creative techniques to use during each creative stage
Preparation	The social innovator becomes aware of a social need, challenge or problem. The social innovator attempts to define the problem and gather information. To do this, s/he must formulate creative questions which are surprising, destabilising and open new routes to a specific issue. The simplest questions can serve to get around constraining assumptions and limiting research methods.	Progressive abstraction, boundary examination, the 5Ws/H technique
Frustration	Asking creative questions does not generate immediate solutions and the social innovator might become frustrated and can even experience creative blocks at this stage. Finding good answers to a social problem can be a lengthy and challenging process, because social issues are often difficult to resolve. The frustration can cause a social innovator to give up on his/her social effort, select inappropriate or short term solutions, or settle for a non-creative solution.	Published materials, interviews, discussions, observations, impressions, Lotus blossom technique and bug list technique
Incubation	A very important stage is to step away from the social problem. The social innovator needs to focus on removing barriers to creativity, for example perceptual barriers (using a narrow mindset when analysing problems), emotional barriers (fearing to make a mistake and to take risks), cultural barriers (stereotyping), environmental barriers (distractions like phones and physical intrusions) and intellectual barriers. During this stage more information may be gathered which could be unintentional and insights may be found in unexpected places. The social innovator needs to open his/her mind to new possibilities and even try to forget about the social challenge for a while. It will be helpful to mobilize key stakeholder groups to gain more insight and to open opportunities for collaboration. The Internet can be valuable as it opens an avenue for social networks, pool resources, capital and integrated social value chains.	Brainstorming, analogies/ metaphors, technique, problem reversal technique, wildest ideas technique, forced relationship and free association technique
Illumination	This is the stage where social innovative solutions can be created and applied to find the answers to social problems and challenges. The social answer often needs to be refined, adapted and expanded upon.	Advantages-disadvantages technique, decision balance sheet, reverse brainstorming
Elaboration	The methods or solutions to the problem are refined and adapted. The social innovator may make changes to the solution to make it clearer and even consult with other key shareholders to determine if the social solution is workable.	This is the doing stage which is linked to social innovation.

Source: Own compilation

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The creative techniques that can be used during each creative stage are crucial for the social innovator to understand before applying it. Groenewald (2013) describes some of the creative techniques listed in Table 1 in the following ways:

- The *progressive abstraction technique* is used to generate alternative definitions of the problem by moving from one level of the problem abstraction to another, until a suitable level of abstraction is achieved. This technique makes it easier to identify possible solutions.
- The *boundary examination technique* provides new ways of looking at the problem. The technique provides more provocative problem definitions, clarifying problem boundaries and demonstrating the importance of flexible problem definitions.
- The *wishful thinking technique* aims to expand on possible alternatives by permitting a degree of fantasy by asking "What would be the best possible outcome that we could hope for?"
- The *5Ws/H technique* is used when the problem is not clear and separate lists for questions relevant to the problem is asked in terms of: Who?, What?, Where?, When?, Why? and How?
- The *Lotus Blossom technique* utilises a form that has a core square surrounded with eight circles. The core question is "what assumptions tend to constrain the creative view of the future" according to Groenewald (2013: 38). The petals represent the assumptions that are the questioned to determine if these are appropriate.
- The *bug list technique* focuses on finding things that irritate or "bug" people and then the most irritating issues are listed. Brainstorming is then used to come up with ideas to resolve the irritating issues. This technique often leads to the invention process in creativity and innovation.
- The *analogies/ metaphors technique* generates more ideas than any other mode of thinking. By using analogies, a new insight and approach to the problem and the resolution can be generated. A metaphor is applied to another, unrelated term to create a non-traditional relationship.
- The *problem reversal technique* helps to reverse assumptions about a problem and to generate original ideas. The problem statement often contains a verb or action. When this technique is used, the meaning of the verb or action is reversed and the problem is restated in question. Answers are then generated to the question and then reversed to come up with better solutions to the original problem.
- The *wildest idea technique* encourages people to come up with the wildest ideas they can think of and to image that everything is possible. Most of the ideas might be impractical, but often a useful idea emerges, which the group will then develop in their search for practical uses of the wild idea.
- The *forced relationship and free association technique* involves the creation of relations between ideas and objects that seemingly have no relationship to come up with creative ways about an idea or concept.
- *Reversed brainstorming* is when a group of people try to uncover possible weaknesses of an idea, rather than generating ideas. The group then generates solutions for each weakness identified.
- The *advantage-disadvantage technique* is used to list alternative ideas and highlighting the strengths and weaknesses of the ideas. The idea with the most strengths and least weaknesses is then selected.
- The *decision balance sheet* explores ideas based on the costs and benefits of the ideas. Ideas are ranked and the preferred alternative is listed first. The balance sheet then shows the positives and negatives clearly.

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Sawyer (2013) identified eight steps to become more creative: (1) ask the right questions to lead to the most novel answers; (2) learn to prepare your mind for constant creativity; (3) look for good answers; (4) play to free your mind to imagine; (5) think to find more ideas than needed; (6) fuse to combine ideas in surprising new ways; (7) choose the best ideas and then make them even better; and finally (8) make to get ideas out into the world and drive creativity forward.

Social innovators need to focus on developing their creativity constantly and cannot see it as something that will happen automatically. Creativity emerges in the presence of the following factors, according to Baron and Shane (2008):

- Intellectual abilities (a combination of successful and social intelligence);
- A broad and rich knowledge base of the specific social issue (social innovators understand specific social issues very well and have knowledge about these issues);
- An appropriate style of thinking (thinking in novel ways is very important to succeed as a social innovator. In addition, social innovators need to think globally and locally to tackle complex social challenges);
- Personality attributes (traits like the willingness to take risks, tolerance of ambiguity);
- Intrinsic, task-focused motivation (a social innovator is motivated to make a real difference in the world and to create sustainable social value); and
- An environment that is supportive of creative ideas and encourages change.

Social innovators have the ability to look at social problems from various angles and can push back the boundaries of the problems they want to address (OECD, 2011). They also know that collaboration is an important aspect to infuse new ideas and that various key stakeholders hold pieces of solutions. Social innovators also have vision. They find what is not working and solve the problem by changing systems, and persuading societies to try new things. They are also able to combine existing innovations and or apply them to new target groups and different sectors (OECD, 2011). Social innovation occurs after the creativity process and turn creative ideas into workable and sustainable social solutions.

Social Innovation

Innovation is the process of both generating and applying creative ideas in some specific area. In other words, innovation involves the introduction of something new and valuable – an artefact or a method – into a functioning production, marketing, or management system according to Cropley (2008). Leadbeater (2008, in OECD, 2011:34) explains that: "all innovation involves the application of new ideas – or reapplication of old ideas in new ways – to devise better solutions to people's needs. Innovation is invariably a cumulative, collaborative activity in which ideas are shared, tested, refined, developed and applied. Social innovation applies this thinking to social issues: education and health, issues of inequality and inclusion." Social innovation is "social responses to unsolved social problems and needs, which have not been successfully tackled by the State or the market."

The major aim of social innovation is to resolve complex social challenges and to produce social change. Social innovation "can take place everywhere" and is the "result of joint effort, creativity and a shared vision" of a better future for all (OECD, 2011:23).

Social innovation requires cross-pollination and intermediaries, like policy makers, to be successful. This is often referred to as the "bees and trees" concept. The "bees" are the social entrepreneurs (small

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organisations, individuals or groups) who have new ideas and can adapt and cross-pollinate quickly. The "trees" are the big organisations (like government, companies or non-governmental organisations) which are poor in creativity but have the financial capacity and infrastructure to implement new ideas (OECD, 2011). Intermediaries need to create the links between "bees" and "trees".

Social innovators need to understand the social innovation process well to enable them to work effectively as "bees", and to bring together like-minded people and organisations to share ideas, and to speed up the resolution of pressing social challenges.

Social Innovation Process

Luecke and Katz (in Cropley, 2008) highlight two stages in the process of innovation, namely the *invention* that consists of idea generation, idea evaluation and opportunity recognition (creativity), and the *exploitation* that consists of development and commercialisation (innovation).

Mulgan (2006) takes the two stages further and identifies the following five stages that innovations must pass through.

- Stage 1 involves the generation of ideas by understanding the social needs and identifying potential social solutions (also seen as the creativity stage). Normally innovators spot needs (for example, those reflected by angry individuals and groups, campaigns, picketing and strike action) which are not adequately met by the market or state and they start to delve deeper to understand people's real needs and issues.
- Stage 2 takes place when ideas are developed, prototyped and piloted. Social innovators take promising ideas and test these ideas in practice (either in real environments or in protected conditions). Only a few ideas survive this reality check.
- Stage 3 involves assessment, scaling up and diffusing good ideas. Good ideas are grown, replicated, adapted or franchised and require skilful strategy, vision, resources and supportive "trees".
- Stage 4 is the final stage in social innovation and involves learning and evolving. Ideas are turned into forms that may be very different from the expectations of the pioneers and can evolve by becoming more explicit. Ideas can also lead to the development of new social models and can become a powerful tool for bringing "bees" and "trees" together.

However, there are barriers that can prevent the social innovation process from taking place effectively.

Barriers to Social Innovation

Social entrepreneurs and innovators should realize that barriers to change exist at various levels in society. People can resist even the most appealing reforms to social change if there is a possibility that things can worsen in the short term during the transition period (Mulgan, 2006). People also prefer the status quo due to the perception that it offers stability. In addition, various interest groups have certain stakes in maintaining the status quo and the benefits of continuity. Diverse needs, norms, values and assumptions can also create barriers to social innovation, according to Mulgan (2006).

Social Innovation eXchange (SIX) and the Young Foundation (2010) identified three key barriers to social innovation, namely (1) access to finance, (2) skills and formation, and (3) networks and inter-

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mediaries. In terms of finance, current finance systems in most countries are not fit for the new types of innovation required to address societal challenges. Many social organisations are also dependent on grants, which include charities, and the reliability of these funding sources are often problematic and directed away from operational costs, making long-term planning difficult. Social innovators also struggle to secure growth capital, although grants are available for prototyping and the start-up phases of social innovation. Innovation skills are lacking across the world. Small companies are more likely to experience skills gaps and can often not afford training programmes. Volunteering and the tendency to hire staff on an ad hoc basis impact negatively on skill development and retention as well. Networks and intermediaries are critical for social innovation. There is a significant absence of intermediaries able to link the right organisational forms to put social innovation into practice, according to the Social Innovation eXchange (SIX) and the Young Foundation (2010).

McElroy (2002:33) defines social innovation capital (SIC) as "*the structural manner in which whole social systems (i.e., firms) organize themselves around – and carry out – the production and integration of new knowledge*". McElroy (2002) highlights two issues of social innovation capital (SIC) that can be seen as barriers to social innovation. Firstly, social innovation capital is developed in a collective manner, which can be risky due to individual learning, group formation and learning, organisational adoption (of knowledge), knowledge sharing and diffusion and knowledge use. Secondly, social innovation capital and social innovations need to be protected as intellectual property. Certain policies will need to be implemented, like learning policies, knowledge processing policies and connectedness policies, and agreed amongst the social innovators to ensure ideas are protected. This can be challenging due to the various role-players involved.

Supporting Social Innovation

Social innovation is more likely to happen when there is basic legal protection, open media, open cultures, accessible capital and innovation funds, think tanks, incubators and accelerators, research opportunities and research funding, technology labs, support of progressive foundations and philanthropists, willing experts and leaders in the field to assist, strong civic organisations and global links (Mulgan, 2006).

Mumford (2002) investigated various cases of social innovation and made the following observations which also indicate how social innovation could be supported. The first observation is that social innovation is experientially based and innovation seemed to emerge almost directly from a network of enterprises. Social innovators should be developed and supported to recognise emerging ideas and envision their broader implications. Training and development are therefore crucial. The second observation is that experience is important and that individuality plays an important role in social innovation. Social innovators should therefore be encouraged to use their life and business experience and to expose themselves to various opportunities to gain more life and business experience. They should also be encouraged to develop their uniqueness. The third observation was that social innovation requires ideas and solutions. Social innovators should therefore be encouraged to use the creativity process and innovation process to create and identify workable solutions to social problems. The fourth observation showed that a viable solution can set the stage for further development. Social innovators should therefore be encouraged to collaborate and network with various key stakeholders to test and build on possible social solutions. The private and public sectors need to play a role in making collaboration and networking possible across sectors. The fifth observation indicates that social innovation is a practical activity in

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which benefit must be demonstrated in a short period. Social innovators should therefore be supported by incubators, accelerators and funders to ensure that they can experiment and remain positive and optimistic. The sixth observation is that funding is critical. Financial mechanisms and financing schemes must therefore be available to social innovators to be successful. The seventh observation showed that social innovators require self-promotion and they must be able to positively influence key stakeholders. Training and development can be helpful, and marketing agents to develop the image of social innovators can be used to promote innovators and their ideas. These services should be part of incubators, for example. The final observation by Mumford (2002) reflects that social innovation involves a willingness to rearrange and restructure existing social relationships. Social innovators should constantly question, rearrange and restructure social relationships and be able to "sell" their social value to key stakeholders to ensure successful social innovation. Training, in the form of roleplaying for example, can develop these skills and can be practiced in social innovation forums.

The success of social innovation also depends on effective leadership. Stanford GSB Centre for social innovation (2013) identified four attributes that effective leaders for social innovation should have. Firstly, a social innovator's knowledge should stretch across various domains to enable him/her to relate to a broad ecosystem and to make unprecedented connections to find more effective solutions. Leaders should be able to guide social innovators to consider the interplay between factors and forces in the environment, national and globally. Secondly, leaders should ensure that there are clear values and trust amongst all the collaborators and stakeholders to ensure a foundation for effective collaboration. Thirdly, a leader should have passion and have social change empathy. Fourthly, leaders should develop and encourage social innovators to be able to have multiple ideas in their minds at once and then to combine these ideas to improve each idea. This requires skill and effective leadership.

Social innovation leadership is therefore critical to create a better future for all. Mulgan (2006:160) stresses that "social innovation is likely to be most successful when there is close involvement of people with the strongest understanding of needs and where there are sophisticated metrics of success that can reward rapid learning and evolving end goals". Social innovation cannot take place in isolation and requires effective collaboration between "bees", "trees" and intermediates.

FUTURE RESEARCH DIRECTIONS

Social innovation is an emerging field which is advancing rapidly; however, there is still much to learn and much to achieve in terms of social innovation. World leaders need to recognise that there is an urgent need to speed up social solutions to resolve the often crippling and complex social challenges countries and the world are facing. The old ways of thinking can no longer serve the needs of the planet and humans. Humans will need to take bold and innovative steps to ensure survival and sustainability of the planet. More research is therefore needed to explore how social innovation can be encouraged, developed and funded across sectors and nations. Collaborative social innovation should be explored specifically to ensure that solutions in one country can be adapted to other countries, or developed into a better global social solution. The effectiveness of the above "approaches" used by Social Innovators should also be explored. The impact of social innovation on social problems such as poor health outcomes, poverty, and other social issues should be examined as well.

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CONCLUSION

Mulgan (2006) states that "successful social innovators plant the seeds to social ideas in many minds, and these ideas became more powerful than individuals or institutions". Social innovation can change societies for the better and make a real difference; however, like most things in life, support is needed to develop, train and support social innovators. Creativity, thinking in new boxes and collaborative initiatives are also critical to make social innovation possible and successful.

This chapter highlighted the role of creativity in social innovation, explained the creativity process and focused specifically on social innovation, the process of social innovation, as well as the barriers thereof and ways to support social innovation. The main aim of the chapter was to create an awareness of social innovation.

In terms of creativity, successful intelligence, creativity themes, the creativity zone and the creative process were discussed. It can be concluded that practical-, analytical-, creative- and social intelligence are needed for social innovators. These should also be combined. Various factors can also impact on creativity like culture, rewards, support and the environment, to name a few. It was also highlighted in the chapter that "Beyonder creativity" is needed for social innovation. At this level, a synergy occurs between courage and creativity and the individual remains excited and passionate to find better ideas and solutions. Social innovators also need to focus on developing their creativity constantly.

Social innovation requires cross-pollination and intermediaries. The OECD (2011) refers to this as the "bees" and "trees" concept. Mulgan (2006) also explained that innovation, as well as social innovation, requires four steps: (1) generating ideas (creativity); (2) ideas are developed and tested which includes prototyping and piloting; (3) assessment of ideas and (4) implementation and involves learning and evolving. Support is also needed for social innovation, like training and development, financial support, collaboration between private and public sectors as well as various other key stakeholders, incubators and accelerators, as well as self-promotion training and exposure. Social innovators do not teach people or communities to fish, but they revolutionize the fishing industry. Social innovation therefore matters because it can help to generate sustainable social value and social change.

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KEY TERMS AND DEFINITIONS

Convergent Thinking: The process of finding a single best solution to problem that you are trying to solve.

Divergent Thinking: The process of creating many unique solutions in order to solve a problem.

Social Creativity: It protects the integrity of the individual creator and at the same time manages a group creative process to achieve common ends to a social problem.

Social Enterprise: An organization that applies commercial strategies to maximize improvements in human and environmental well-being, rather than maximizing profits for external shareholders.

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Social Entrepreneurship: The attempt to draw upon business techniques to find solutions to social problems.

Social Innovation: New strategies, concepts, ideas and organizations that meet the social needs or overcome social challenges in society.

Social Innovation Capital: The collective capacity of a firm to innovate.

Social Value: A way of thinking about how scarce resources are allocated and used.

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Chapter 52
The Role of Entrepreneurial Spirit in Indonesian Youths and Housewives to Reduce Unemployment and Poverty Rate

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ABSTRACT

Unemployment and poverty are problems experienced especially by developing countries. The higher level of unemployment and poverty will lead the higher level of crime. The unemployment rate in Indonesia in August 2014 is 5.94% or 7,244,905 people, and 4% of Indonesian people living on less than $1.25 a day. One of the things that can reduce the unemployment rate and the percentage of poor people is entrepreneurship. This chapter wants to explain that the level of unemployment and poverty can be minimized by the spirit of entrepreneurship of housewives and youths, who has a micro, small, and medium business. From six women and youth entrepreneurs who start their micro and small business that described in this book chapter, it can be seen that their effort could empower themselves and make themselves and their family exit from poverty. But, they are facing barriers to starting up. The government must push and encourage Indonesian people to become an entrepreneur by designing entrepreneurship development program, which includes government, educational institution, and family.

INTRODUCTION

Unemployment and poverty are problems experienced by all countries. The higher the level of unemployment and poverty will lead the higher the level of crime. Therefore, the problem of unemployment and poverty should receive serious attention from the government.

Developing countries usually face heavy problems of unemployment and poverty, including Indonesia which has a population of around 300 million is facing quite heavy problems of unemployment

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and poverty. Indonesian Government realized that Indonesia's large population has great potential for unemployment problems. One of the government's efforts to tackle the problem of unemployment is by opening new work opportunity, especially with the labor-intensive program. October 2015, Indonesian President, Joko Widodo, has launched a labor-intensive program, which is expected could decrease the rate of unemployment (Praditya, 2015). Opening new work opportunity is not an easy thing to do. Indonesian government needs to cooperate with entrepreneurs, including entrepreneurs who have micro, small, medium enterprises (MSME), to open new work opportunity.

But, it must be remembered that the availability of employment is determined by economic growth in the country, including in Indonesia. If a country is not experiencing economic growth, then many companies bankrupt and mass layoff occurs. In the end, it will create a level of unemployment and poverty increased. In Old Order Era, the focus of Government is in politics, and that made the economy condition in Indonesia was bad. In New Order Era, the conditions of Indonesia's economy improve (Subandi, 2006). One of the famous economic development programs at the time of New Order is the Five Years Development (PELITA) and Plan of Five Years Development (REPELITA). That development program that was published to the community was created as a reference for the development that must be achieved within 5 years. In the reformation era, the term is no longer used, but any President in this era has a work plan to improve the Indonesia economy. President Joko Widodo, for instance, issued packages of economy policies to improve the economy in Indonesia (Waluyo, 2015).

One indicator of economic growth is growth of Gross Domestic Product (Sanusi, 2007). Data from BPS (2016b) shows that the growth of GDP Indonesia on 2014 is 3.6%, decline from 4.1% on 2013. The Central Bureau of statistics (BPS) recorded that economic growth in Indonesia is 4.79 percent on an annual basis (year-on-year (yoy)), where this figure is smaller than the previous year's close of 5.02 percent (Gumelar, 2016). The condition of the economy that is not too good makes this unemployment rate and poverty ever hard to be pressed.

The problems of unemployment and poverty increased since Indonesia entered the Era of ASEAN Economic Community since 2015. With the ASEAN Economic Community, the boundaries between countries of ASEAN seemed to be lost, the labor of one country can easily work in other countries in ASEAN, and trade between ASEAN countries has become easier with low import tax. ASEAN Economic Community can be seen as an opportunity or a threat. With the ASEAN economic community, then the opportunities for Indonesia's labor force to work in other countries in ASEAN increased, but also can make the unemployment rate in Indonesia is increasing and ultimately could raise the rate of poverty. With the ASEAN economic community, the market becomes large, but the level of competition and the demand for good quality is high.

This book chapter wants to explain that the level of unemployment and poverty can be overcome by the spirit of entrepreneurship of housewives and youths, who have a micro, small, and medium business. The structure of this book chapter: The first section is the introduction that describes the benefits or the importance of this book chapter; in the second and third sections are explained about important aspect in this book chapter i.e. unemployment and poverty; the fourth section describes the main focus of this book chapter, which is about entrepreneurship in Indonesia; the fifth section describes solution and recommendation, that is entrepreneurship development program in Indonesia; and the sixth section is the conclusion.

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EMPLOYMENT, UNEMPLOYMENT, HALF UNEMPLOYMENT

People who categorized as employed are those who worked as paid employees, worked in their own business, or worked as unpaid workers in a family member's business. It also includes those who were not working but who had jobs from which they were temporarily absent because of, for example, vacation, illness, or bad weather (Mankiw, 2007).

Muana (2005, p. 249) said that unemployment is a condition where people who include in workforce category but do not have a job and also not try to find job actively. This condition is also known as open unemployment. Djohanputro (2006) said, there are four types of unemployment: open unemployment, under-employment, people who work actively but less utilized (include: premature retirement, hidden retirement, disguised underemployment), and the impaired. During this time, the government only records the data of open unemployment, as seen in Table 1, because open unemployment is easy to see, and the other three types of unemployment are not clearly visible so the data cannot collect easily.

Indonesia Statistics Center (BPS) shows data that on August 2013, Indonesia has a workforce of 120.2 million people but only 112.7 million people have a job, or it can say that 7.41 million people or 6.17% of the workforce are unemployment. And as shown in Table 1, in August 2014, the unemployment rate has decreased to 5.94% (BPS, 2016a). But according to Indonesia Statistic Center (BPS, 2016e), total unemployment of people with a bachelor's degree are 495,143 in August 2014 or increase from 398,298 in February 2014 as shown in Table 2. This means that workforce whom graduate from college cannot be absorbed in labor market. Those people are called as educated unemployment. Actually, educated unemployment is workforce who graduate from high school or more but jobless (Tobing, 2005).

The educated unemployment that likely to rise by 2014 is caused by two factors: frictional and structural. Those two factors make 2 conditions of unemployment (Mankiw, 2007): frictional unemployment and structural unemployment. Frictional unemployment is the unemployment that results because it takes time for workers to search for the jobs that best suit their tastes and skills and structural unemployment is

Table 1. Type of activity of Indonesian people above 15 years old

Type of Activity		2013		2014	
		February	August	February	August
1	Indonesian people above 15 years old	178,130,470	179,967,361	181,169,972	182,992,204
2	Workforce	123,170,509	120,172,003	125,316,991	121,872,931
	a. Rate of workforce participation (%)	69.15	66.77	69.17	66.60
	b. Working/Employment	115,929,612	112,761,072	118,169,922	114,628,026
	c. Unemployment	7,240,897	7,410,931	7,147,069	7,244,905
	d. Rate of unemployment (%)	5.88	6.17	5.70	5.94
3	Non-workforce	54,959,961	59,795,358	55,852,981	61,119,273
	a. Student above 15 years old	15,328,846	14,630,852	15,899,591	16,769,494
	b. Household	32,653, 052	36,036, 779	32,853,393	36,019,249
	c. Others	6,978,063	9,127,727	7,099,997	8,330,530

Source: BPS (2016a)

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the unemployment that result because the number of jobs available in some labor markets is insufficient to provide a job for everyone who wants one (Mankiw, 2007). Frictional and structural unemployment usually become long-term unemployment. Long-term unemployment creates new problems because the longer a worker is unemployed, the more difficult for him or her to find a job (Hornstein & Lubik, 2010). To overcome this problem, they could be encouraged to develop their own business or become an entrepreneur.

There are those who argue that more women are unemployed than men. But, what is the actual fact? ILO said, in many countries around the world, they are more unemployment women than unemployment man (around 6.2% unemployment women comparing to 5.5% unemployment men) due to discrimination to women (Detik, 2016). How about in Indonesia? Data from Indonesia Statistic Center shows that men are more unemployed than women (men 4.86% and women 3.48%) on 2012 (as shown in Table 3). But in recent data, Indonesian Gender Gap Index from Global Gender Gap Report (World Economic Forum, 2015) shows that women are more unemployed than men (women 6.4% and men 6%).

But on Table 4, it can be seen that for household activity, percentages of women (36.97%) who do household activity are bigger than men (1.63%), and that usual for Indonesian culture that think men as husband and father do work to provide family needs and women as wife and mother do household work.

Indeed, there are groups of people who can help the family economy, although not included in the labor force. They are household and student above 15 years old. From Table 1 and Table 4, it can be

Table 2. Unemployment data according to educational level

No.	Educational Level	2014	
		February	August
1	Do not have education certificate	134,040	74,898
2	Not graduate from elementary school	610,574	389,550
3	Elementary school	1,374,822	1,229,652
4	Junior high school	1,693,203	1,566,838
5	Senior high school	1,893,509	1,962,786
6	Vocational high school	847,365	1,332,521
7	Diploma I,II,II/Academy	195,258	193,517
8	University	398,298	495,143
	Total	**7,147,069**	**7,244,905**

Source: BPS (2016e)

Table 3. Employment and unemployment by gender on 2012 (percentage)

People on Working Age	Type of Activity		
		Women	Men
		2012	2012
Workforce	**Working/Employment**	47.91	79.57
	Unemployment	3.48	4.86

Source: BPS (2016d)

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Table 4. Non-workforce activity by gender on 2012 (percentage)

People on Working Age	Type of Activity		
		Women	Men
		2012	2012
Non-workforce	Students above 15 years old	7.94	8.26
	Household	36.97	1.63
	Others	3.70	5.69

Source: BPS (2016d)

seen that households and students above 15 years old (youths) are not considered as workforce or labor force. According to Indonesia Center of Statistics, on August 2014 Indonesia has 36,019,249 household and 16,769,494 students above 15 years old (youths) (BPS, 2016a) from 61,119,273 non-workforce. It is a large enough number.

Under the conditions that exist in Indonesia today, the author wants to focus on housewives and youths that are not included in the labor force in reducing unemployment and poverty levels, but from some data that author gets, some of them gain profit from doing some kind of work for instance as part-time entrepreneur or freelance worker. That means they also can help the government to reduce the unemployment rate by open new work opportunity and also reduce the poverty rate.

For the household, the authors only limit on household women (housewives), as the number of household women in Indonesia is much more than a household men (as can be seen in Table 4). But before the author discusses the role of entrepreneurial spirit in housewives and youths, will be presented first a number of definitions of employment, unemployment, half-employment, entrepreneurship and entrepreneurial spirit, and micro, small, and medium enterprises. These definitions should be understood in order to understand this book chapter comprehensively.

POVERTY

Mc Quibria (as cited in Stone, 1992, p. 24), explain about poverty and people who poor socially and economically: "It's the lack of ability to employ assets that cause poverty. If your only asset is labor and you are unemployed, you are poor. If you are in a rural area and you don't own land, then you are also poor." From that definition, it can be seen that people who don't have any assets, and he/she does not work, then he/she is categorized as a poor. But if you have a lot of assets and do not work, you are not categorized as poor. That definition implicitly explains that unemployment usually causes poverty.

Beside the term of poverty in general like Mc Quibria said above, in Economic Studies, it is also known the term of poverty line and poverty rate. Poverty rate is the percentage of the population whose family income falls below an absolute level called the poverty line (Mankiw, 2007). And, poverty line is an absolute level of income set by the federal government for each family size below which a family is deemed to be in poverty (Mankiw, 2007).

What will take to end poverty and improve the lives of the poor? Economic growth will prove paramount, but, beyond growth itself, it must ensure that all members of society share in the benefits of that growth (World Bank and International Monetary Fund [IMF], 2014). In 1966, New Order Era got inherited

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from the Old Order Era, i.e. inflation amounted to 670% (Sanusi, 2007). Inflation is an increase in the overall level of prices (Mankiw, 2007). Inflation will cause the price of goods, in particular the major commodities, rose sharply, which ultimately makes the purchasing power decreases and economic growth will stagnant. And, that is the reason that inflation is often assumed by people can affect the poverty rate. As mentioned in Section 2, New Order Era makes program PELITA (Five Years Development) and REPELITA (Five Years Development Plan) to develop the economic conditions. And, specifically for poverty alleviation programs, the New Order Era issued a variety of programs, including Presidential Instruction Program for Poor Village, Independent Young Families, and Health Aid Project. In the era of reformation, the Government issued a variety of programs to suppress the poverty, including Direct Cash Assistance (BLT), Smart Indonesia Card, Healthy Indonesia Card, and Prosperous Family Card.

According to data from World Bank and IMF, it can be seen that poverty has been more prevalent in Sub-Saharan Africa and South Asia than in other developing regions, accounting for about 80 percent of the global poor (2014). Data of World Bank and IMF shows that in 2011 there are 4% of Indonesian people living on less than $1.25 a day (2014). $1.25 per day is poverty line. People who spend less than $1.25 per month are considered as poor.

How about poverty in Indonesia in 2015? Data from BPS show that Indonesia has 28,513.57 thousand (11.13% of total population) poor people in the second half of 2015 or the number of poor people decrease from 28,592.79 thousand (11.22%of total population) in the first half of 2015 to 28,513.57 in the second half (BPS, 2016c). The decrease of poverty rate is not significant. Indonesian government still has a lot of things to do to reduce or minimize the poverty rate.

ENTREPRENEURSHIP DEVELOPMENT IN INDONESIA

As mentioned in Introduction Section, Indonesian government needs to cooperate with entrepreneurs to open new work opportunity. In essence, entrepreneurs have an important role in economic growth and prosperity of a country (Salimath & Cullen, 2010). The Indonesian government also must encourage people to be an entrepreneur.

Ciputra said, entrepreneurs in Indonesia are around 0.18 percent or 400,000 entrepreneurs (Ciputra, 2008). On March 2015, Minister of Cooperative and Small-Medium Enterprises Anak Agung Gede Ngurah Puspayoga said that entrepreneurs in Indonesia only 1.65% of total Indonesian population (Republika, 2015).

According to data from Global Entrepreneurship Monitor 2013, Indonesia Report based on APS (Adult Population Survey) survey in their (adults') perception of entrepreneurial activities, three measures were obtained: perceived opportunity (perception of entrepreneurial opportunity), perceived capability (perception of required knowledge, skill, and experience to start business), and fear of failure (of starting your own business) (Nawangpalupi, Pawitan, Gunawan, Widyarini, & Iskandarsjah, 2014). From those three measures, perceived capability gain relatively high percentage, i.e. 62%, and only 46.6% respondents have a perception of entrepreneurial opportunity. And from 46.6% respondents who have a perception of entrepreneurial opportunity, 35% have a fear of failure (Nawangpalupi et. al., 2014). So, it can be seen that there are only a few of Indonesia adulthood whom can see a business opportunity and not be afraid to fail. Global Entrepreneurship Monitor Report on 2013 said that if compared with other

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countries in South East Asia and Asia Pacific, Indonesia is in the second position under the Philippines (47.9%) for perceived opportunity and also second position under the Philippines (68.4%) for perceived capability, but for fear of failure Indonesia is on number 9 from 11 countries in South East Asia and Asia Pacific (Amorós & Bosma, 2013).

Entrepreneur and Entrepreneurial Spirit

Emzen, as cited by Bulut and Sayin (2010, pp. 559-568), define an entrepreneur as "the person who generally sets up his or her own business and who brings various production factors together and takes risks in order to produce something and subsequently aims to profit." Amorós and Bosma (2013) divide entrepreneur into 2 types: necessity-driven entrepreneur and opportunity-driven entrepreneur. Joardar, Wu, and Chen (2014) said that GEM defined that the two types differ from each other in that opportunity entrepreneur is motivated by opportunity and necessity entrepreneur type is more requirement-based.

Everybody actually can be an entrepreneur, even an uneducated person. The most important thing is that person must have an entrepreneurial spirit. According to Ciputra (2008, p. 19), people with an entrepreneurial spirit have some characteristics, such as innovative, creative, want to take calculated risk. John Kao (Kuratko & Hodgetts, 2007, p. 118) explain about 11 entrepreneurial characteristics: *total commitment, determination and perseverance; drive to achieve and grow; opportunity and goal orientation; taking initiative and personal responsibility; persistent problem solving; realism and a sense of humor; seeking and using feedback; internal locus of control; calculated risk taking and risk seeking; low need for status and power; integrity and reliability*. Stevenson and Gumpert (Kuratko & Hodgetts, 2007, p. 118) said that *imagination, flexibility* and *willingness to accept risk* as the characteristics of those who have an entrepreneurial spirit in the organization. Hornaday in Kuratko and Hodgetts (2007, p.119) explained clearly the 42 characteristics that are often shown inside of an entrepreneur. Are people who want to be entrepreneur must have all those 42 characteristics? Kuratko and Hodgetts (2007) says that the thing that differentiates a successful and reliable entrepreneur with the other ones is the way they process the imagination and creative thinking with the systematic and logical processing ability.

Even though it said that everybody could be an entrepreneur as long as he or she has an entrepreneurial spirit, but actually, there are some barriers to building a new business or known as barriers to starting up. The author know several people who actually want to be entrepreneurs and have an entrepreneurial spirit but do not know how to start a business, do not have enough money to fund their business, and afraid of the risks. Meanwhile, the results of Robertson, Collins, Medeira, and Slater (2003) showed that there are few barriers to starting a business, such as unmotivated, no business idea, no skills, and no confidence, too risky, do not get help, and there are no funds.

Micro, Small, and Medium Enterprises

Usually, people think that entrepreneur must be a rich person with large enterprise or company. But, actually, a person who only makes and sells homemade cupcake is also considered as an entrepreneur. People who only own small grocery store also considered as an entrepreneur. Those businesses are categorized into Micro, Small, and Medium Enterprise.

These are criteria of Micro, Small, and Medium Enterprise according Act No. 20 year 2008, as retrieved from Bank Indonesia website:

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1. **Micro Enterprise:**
   a. Net worth maximal Rp. 50,000,000 (around $3,600) per year.
   b. Net sales maximal Rp. 300,000,000 (around $ 21,000) per year.
2. **Small Enterprise:**
   a. Net worth Rp. 50,000,000-Rp. 500,000,000 (around $3,600-$36,000) per year.
   b. Net sales Rp. 300,000,000-Rp. 2,500,000,000 (around $21,000-$178,571) per year.
3. **Medium Enterprise:**
   a. Net worth Rp. 500,000,000-10,000,000,000 (around $36,000-$714,286).
   b. Net sales Rp. 2,500,000,000-50,000,000,000 (around $178,571-$3,571,429).

In 2013, Indonesia has 57,895,721 MSME or increase 2.41% from 2012 and only has 5,066 big enterprises or BE (Department of Cooperative and Small Medium Enterprise, 2016). It can be seen that MSME have almost 99% of market and BE only has less than 1% of the market, as shown in Table 5.

From that data, the researcher assumes that MSMEs in Indonesia play a great role. When Indonesia was faced with a great crisis in 1997, the MSME became the savior for Indonesia people. Around that time, the amount of small business increased drastically, from only 7,000 small businesses in 1980 to 40 million in 2001 (Margiman, 2008). The MSME in Indonesia are dominated by the agriculture, forestry, farming, and fishery sectors (53.5%), and large businesses in the processing sector (35.4%) (Margiman, 2008). Those sectors have been existing for a long time in the Indonesia's. But, now, with the development of knowledge, technology, and managerial skills, new industries start to emerge in the business field, such as creative industry.

The development of technology is not only creating a new industry. The development of technology also creates a new way to do business. Now, people are all familiar with e-business. E-business emerged because of the development of internet technology. With e-business, people can sell and promote their product via the internet; the customers can buy and order things via the internet. With the convenience offered by Internet technology, more and more people could become entrepreneurs in more cheap and easy way. Why? With e-business, people do not need much cost for things, such as for store, for advertising and promotion, and for storage the product. And with e-business, people can do business in more flexible time and way.

Table 5. Data of micro, small, and medium enterprise and big enterprise year 2012 and 2013

Enterprise	2012	2013	Percentage of Increasing
Micro, Small, Medium Enterprise	***56,534,592***	***57,895,721***	***2.41***
Micro Enterprise	*55,856,176*	*57,189,393*	*2.39*
Small Enterprise	*629,418*	*654,222*	*3.94*
Medium Enterprise	*48,997*	*52,106*	*6.35*
Big Enterprise	***4,968***	***5,066***	**1.97**

Source: Ministry of Cooperative and MSME

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Women and Youths Entrepreneurship in Micro and Small Business

Women and youths entrepreneurs have unique characteristics. Cahayani, Gunawan, and Isololipu (2016) quoted research result regarding the entrepreneurial spirit in women entrepreneurs who are also the member of cooperative in Bojonegoro by Iedarwati, Isololipu, and Cahayani. It said that personality characteristic is more prominent if compared to other two characteristics, which are managerial and agent of change. Cahayani et al. (2016) also quoted research result regarding the entrepreneurial spirit in young entrepreneurs who are Business Administration Department alumni by Cahayani, Gunawan, Iedarwati, Isololipu. It said that the characteristics of an agent of change are stronger than the other two characteristics. Despite those research results, this book chapter section wants to describe the role of women and youths entrepreneurs in micro and small business to reduce unemployment and poverty rate.

Indonesia has some famous women entrepreneurship, such as Martha Tilaar (owner of Martha Tilaar Group), Mooryati Sudibyo (owner of Mustika Ratu brand), and Wendy Sui Cheng Yap (President Director and CEO of PT Nippon Indosari Tbk). For youth entrepreneur, Nina Moran and her sisters (owner of Go Girl Magazine) can also be categorized as quite successful youth entrepreneur. All of them already have a lot of employees and absolutely could help government program to reduce unemployment and poverty rate because their business can absorb a lot of people to be their employees. This subsection does not want to describe successful women and youths entrepreneurs. This subsection wants to show the portrait of few housewives and youths that try to do business, even though only part time and micro and small business.

One of the people who talk to the author is a young housewife, lady A. Before she married, she was a career woman, but after married she decided to be a housewife. But after a while, she tried to do something. She tried to do an activity to fill her spare time. She wants it to be a productive activity and not consumptive. At first, she had no idea. But, after talking with her high school friend, she gets an idea, which received orders for screen printing T-shirt. At first, she did not have a brand for her micro and part-time business. But, after a while, she decided to name her business as D'Juno Custom. Her screen printing T-shirt did not last long. After she had quite a lot order, she had difficulties in managing time between business and parenting, and finally, she decided to stop that business.

A few years after that, Lady A tried a new business which still survives today. She makes hairpins and bandanas for children and also brooches for hijabs women with brand Lara Handycraft. The idea of doing this business is obtained after she is invited by her friends to learn how to make hair pin, brooch, and bandana. After being able to make hair pin, brooch, and a bandana, she was challenged by her trainer to try selling her work.

She is doing her micro business in her home when her son has a nap or already falls asleep at night or when she has spare time. She prefers to use e-business because it can reduce the cost of promotion and production. She only makes hairpins, bandanas, or brooches after she receives the order. She always uses Internet technology to promote her products. Usually, she puts the photo of her product on her social media, and it proved to be an effective way to promote their products. And, she also learned new techniques to create a bandana, brooch and hair pin from the internet.

She chooses to be a part-time entrepreneur because it flexible and easy to manage and she also can still do her job as wife and mother. Even though she is not categorized as a poor family, but what she does makes her able to achieve self-actualization.

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When asked, who inspired her to try to do business; she said that she was inspired by some people. First is her father who had retired as permanent employees but has a variety of micro-business to fulfill the needs of her family. Second are some of her friends who also are housewives but can still make money by being a part-time entrepreneur.

How about her son, is she teach something about this business skill to her son? Lady A said, one day, she told her five years old son to sell all of his comic books before he can buy new comic books. She and her son made a small garage sale to sell her son's comic books. By doing that, she teaches her son to be entrepreneur unwittingly. And by doing that, she also teaches her son that you must do something first to get what you want or no pain no gain.

A little bit different with Lady A, miss B is a single parent with two teenage girls. Her condition pushes her to do something to earn money, but at the same time, she still has time to do house chores and parenting things. With her skills to make cookies, she decided to accept the orders for making cookies, especially in Eidul-Fitr season and Christmas season. How does she promote her products? She distributed flyers to her neighbors around the house and also to parents of her daughters' school friends. When she is getting a lot of orders, she hires someone else to help her complete that order. She also accepts the orders for daily catering. Miss B who only graduated from high school also is a part-time taxi driver. In short, she will do everything she can to fulfill her two teenage girl's needs. Is she feeling ashamed with what she does? No, she said, she has no time to feel ashamed.

She also said, that her two teenage daughters also help her to bake cakes or make cookies or deliver the catering to customers. So actually, unwittingly, miss B taught her children about entrepreneurship and entrepreneurial spirit. Miss B also taught her children a value of life: no need to feel ashamed doing something legal.

Now, miss B is a full-time entrepreneur and part-time worker, but when she still married, she was a part-time entrepreneur doing her cookies and catering business. At first, she did cookies and catering business as for leisure activities.

Actually, miss B learned to be an entrepreneur from her ex-husband. Her ex-husband has a small business, and she usually helped at administrative things, such as buy the material, do accounting, and some other things. When they divorced, she already has some knowledge to do business and already has entrepreneurial skill and spirit and ready to run her own business as a full-time entrepreneur.

Mrs. C is a young housewife with two little sons. Before married, she already has plans to become a housewife with income. She has a business that can be done at home, such as make cake, cupcake, cookies by order, sell Indonesia traditional crackers and cookies, make Indonesia traditional snack and food by order. How she promotes her business? She uses some ways to promote her business, such as making the web that contains all about her culinary business, joining the bazaar at his son's school, word of mouth, and also giving a sample of cake to her friends or families or neighbor and ask the endorsement.

Mrs. C has the intention to be an entrepreneur since before she married and graduated from university. She has a value that family is number one, and parenting is mother's primary responsibility so she decided to be a housewife with a small business that she can handle in her spare time. She also has a small shop that sells traditional snacks from some province and city of Indonesia. She has a worker that standby at her shop every day, and she only visits her shop occasionally. She also helps her sister in law to do travel business. All those business activities were conducted in her spare time.

D is a young man who still is a student in one of a university in Jakarta. In his spare time, he and some of his friend make and sell traditional cloth from East Nusa Tenggara just for a hobby. They do word to mouth promotions to sell that product. Even he does that just for hobby and cannot sell a lot of

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cloth up until now, but actually what he does still can help his family because the money that he earned is for his pocket money, so he does not have to ask from his parents. He does not come from rich family, so what he does help his family. Is he wants to become a full-time entrepreneur after he graduates from university? He said he is still not sure about that because he worries that he will not have enough money to fund his business even though he finds that entrepreneurship is an interesting field. He also said, his father does not support him to be a full-time entrepreneur, and that is the reason why he was not chosen major on entrepreneur at his university. But he said, he still want to be a part-time entrepreneur especially in the industry or field that he likes.

Mr. E is a young full-time entrepreneur and already had a business since still in university as a student, which is he tried to sell hamburger. In addition to the hamburger business, Mr. E also opened an "ayam penyet" (fried chicken with traditional chili sauce and some vegetable) diner, joint with his sister/brother in law. When the hamburger shop is closed because of its location contract expired, his "ayam penyet" diner has been running. In addition to the "ayam penyet" diner, Mr. E also has a pizzeria that initially he was peddling in the food truck. In addition to the two types of business, Mr. E had also tried to open a coffee shop but did not last long. Of the several types of business that he started since in university, he has been able to hire a few employees. This means he can create jobs for others and help the government to reduce the unemployment rate.

Mr. E is the risk taker. That is why he runs several businesses at the same time. For him, if there is a chance, then it should be used. That principle makes him runs a business selling hamburgers and "ayam penyet" restaurant. When there is a friend or relative who offered the location, he immediately accepted it, and the idea about hamburger corner came after he accepted that offering. What about with "ayam penyet" restaurant? He accepted the offer from his brother/sister in law to run business "ayam penyet" restaurant though he did not know anything about the business. His actions seem reckless, but entrepreneurs are required to be able to make decisions quickly and precisely in exploiting existing opportunities. He said, after getting married and having children, although more considerations to be made, but he continues to make decisions quickly and accurately.

The last person is Miss F. Miss F is a young lady that already has been a part-time entrepreneur before graduated from university. Now, she is a full-time entrepreneur. She has culinary business made from catfish: meatball catfish, nugget catfish, cracker from catfish skin and catfish bone. She also has business with her friend from her university with brand Salt Factory. Salt Factory produces rice bowl with some topping: catfish salted egg, chicken, and more. Salt Factory has some new menus now, mantau (Chinese bun) that filled with chicken mayo and crabmeat mayo and skelly scallop. She is the determinant and creative person. She always tries to find new recipes to make a new product and new ways to promote and sell his product. She and her friend do not have a permanent store. They usually join event or bazaar to sell their product and accept order via social media. They do this method of business because they still do not enough money to rent or own a store.

Miss F said, she has no intention to be an employee, because she cannot have flexible time, cannot do something that she like, and cannot express and do innovative and creative things without permission from boss or company. Yes, she is a unique young lady that is not afraid to try her idea.

From those six people, it can be seen that A, C, and D who are not included in the labor force could receive income, although not a lot, and help their husbands or parents, which included in the labor force, to fulfill the family needs. Mrs. B even now is a full-time entrepreneur and part-time worker and included in the labor force, but when she started her business, she was doing that as a housewife and not included

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in the labor force. E and F even though now are full-time entrepreneurs and included in the labor force, but they try to become an entrepreneur when they were still a student and not included in the labor force.

From those six people, it can be seen that all of them have an entrepreneurial spirit, even some of them only housewives and part-time entrepreneurs. And from these data, it can be seen that even entrepreneurs in micro business can hire someone else to help them when they got a lot of orders. They also could have the networking to help buy raw materials or sell their products, so it can also indirectly drive the country's economy. This suggests that entrepreneurs could be a government partner to reduce the level of poverty and unemployment.

So, it can be said that entrepreneurial spirit is the core to reduce the level of poverty and unemployment. Why? Because only housewives and students above 15 years old who have an entrepreneurial spirit are trying to do something to create jobs so they can earn money. It can be seen that people who have an entrepreneurial spirit will show some unique characteristics, such as think creatively, unyielding, and proactive in life. They are also adaptive to the changes, as seen from the results of talking with Miss. B. Those characteristics make people with an entrepreneurial spirit will not just do nothing when fired from the company, or when cannot get a job. They will always find a way out of it by doing their own business.

The entrepreneurial spirit can be owned and developed in various ways. The entrepreneurial spirit can be transferred to people around those six entrepreneurs, either consciously or unconsciously. Miss B learned about the business and the entrepreneurial spirit from her ex-husband, lady A has an entrepreneurial spirit that is learned from her father, and Mr. E that has learned about spiritual spirit from his parent since childhood. The entrepreneurial spirit can indeed be transmitted by the nearest person, but the most influencing person in growing and developing the entrepreneurial spirit are the parents, especially mothers, who care for their children from infancy. So when the children of A, B, C, and E saw their parents own and run a business, even if only part-time, or even when they asked for helping parents in running the business, it is one of the most effective ways to instill and develop an entrepreneurial spirit. Their parents can be their role model. Unmarried young entrepreneurs, such as D and F, can transmit their entrepreneurial spirit to relatives or people closest to them.

Those six people above are just a small sample taken by the author to show that housewives and students who do not include in the labor force could also play a role in the movement of the Indonesian economy, such as reducing unemployment and alleviating poverty, by becoming a part-time entrepreneur. If there are many housewives and students over 15 years old who can own a business, part time or full time, the Indonesian economy can be increased considerably. It is time for the government to empower them, for the improvement of the economy of Indonesia.

ENTREPRENEURSHIP DEVELOPMENT PROGRAM IN INDONESIA

It can be seen above that the entrepreneurial spirit is the core. However, the barrier to start-ups often prevents people from starting trying to do business. Therefore, in addition to empowering entrepreneurial spirit, there are also some programs that must also be taken to deter barrier to start-up.

There are some suggestions that have been expressed by government officials or leaders of companies in Indonesia to empower those who are interested in becoming entrepreneurs but do not know what to do. Former Indonesian Vice President Boediono have been asked a business owner to reach out to young

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entrepreneurs, who generally still in college, by providing a place for entrepreneurial business practices (business incubator). He said the business practice is important (Kompas, 2013, January 18, p. 20).

But, what about the young entrepreneurs in college or university who do not get a chance to practice in the corporate-owned business incubator? D, E, and F actually do not get a chance to practice in the corporate-owned business incubator. They said, they only learned from the experience and learn from others who run a similar business. It can be said that it is important to gather with the person who also runs a business to find a new idea, new knowledge, new spirit, and new perspective to run a business. D, E, and F also said, networking is the important thing to face the barrier to start up. They said friendship and wide networking enabling them to learn about how to start a business and can improve business capabilities. And by having a networking and socializing with people who run a similar business, they said, it can also empower their entrepreneurial spirit.

What is the most considered as a barrier to starting up by housewives? They said that the biggest obstacle is the lack of knowledge to start a business. And how about housewives who are interested in becoming entrepreneurs but do not know how to start it? A, B, and C said that they are looking for and get information on the internet and their friends or relatives. After that, they tried to run the business, step by step. In essence, they said, they learned from the experience. That is why, before making and selling a new product, they make sample products to be given to their relatives or friends to get feedback for the product. Usually, they bring their cookies or cake or food to "arisan" (regular social gathering). In Indonesia, many housewives are joining "arisan". Arisan is an activity to raise money or goods of the same value by a few people and then drawn between them to see who will get it, sweepstakes conducted in a regular meeting until all members get it. The authors argue, this regular social gathering could be an activity where the housewives who want to do business to learn to do business by inviting a speaker or trainer who can teach the participants gathering to conduct micro business. It is actually experienced by lady A when she was learning how to make a brooch, bandana, and a hair pin.

For housewives like A, B, C, what they do to empower their entrepreneurial spirit? Miss B said that she has an entrepreneurial spirit although she became an entrepreneur because the conditions forced her to become an entrepreneur. She thanked that condition that forced her to learn to do business and it removes the barrier to start-up. Actually, the author thinks that she has the characteristic of determination and perseverance and does not afraid of change and that condition strengthens her entrepreneurial characteristic and also entrepreneurial spirit. But Miss B also acknowledged that to foster creativity, as one of the characteristics of entrepreneurs, she must learn from a lot of people. She admits that it is important for an entrepreneur to have networking. Similar to Miss B, lady A, and Mrs. C think that they can empower their entrepreneurial spirit by gather with the person who runs a similar business and by having great networking. Based on the statement of A, B, and C, it can be said that "arisan" (regular social gathering) could also serve to empower the entrepreneurial spirit.

In addition to the ways above, there are a few more ways to empower the entrepreneurial spirit and also deter barrier to a start-up that can be done by the government, educational institutions, and parents, especially housewives. First, the government could increase the role of cooperative. Cooperative is a union that aims to meet the needs of its members by selling grocery items at a bargain price (does not intend to make a profit). There are several types of a cooperative. One is specifically aimed at the service or requires its members to save money, in addition, to being able to provide loans to its members. People call it credit cooperative. In Indonesia, there are a lot of a cooperative. Minister of Cooperative and MSME said, on February 2014, they registered 200,808 cooperatives in Indonesia (Sikumbang, 2014, February 1).

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In 2010, the author visited a region in East Java, namely Bojonegoro. There, the author meet and talk with members of credit cooperative from various villages in Bojonegoro were all women. They all find it useful because they can obtain loans with much lower interest than the interest from the bank.

Indonesia already has a government ministry specifically address the issue of cooperative, namely a cooperative and MSME ministry. But the socialization of the role of cooperative, especially for youths and women, are less widely applied. Many Indonesian people are familiar with the word "cooperative" but did not know the specific role of the cooperative for its members. This makes many people in Indonesia who have not felt the need to become a member of a cooperative, even Mr. D.

Besides the government, educational institutions, ranging from early childhood education to higher education, will be expected to teach about entrepreneurship, both theory and practice. By always taught about entrepreneurship, it is expected that students will start to have an entrepreneurial spirit and also have an idea of the barrier to start up that they will face when starting a business.

Currently, there are already many kindergartens, elementary schools, junior high schools, and high schools held a business day every year, in which students are asked to sell goods at a school bazaar. It is a good activity to introduce the business practice to students, but not a lot of schools conduct an evaluation of the event for the students, so students do not understand the mistake that they have already done. In addition, many schools and colleges that are not balanced in giving the practice and theory of entrepreneurship. Theories about entrepreneurship cannot be considered trivial because it becomes a basic knowledge of entrepreneurship and also the basis of the philosophy of entrepreneurship.

It is better if the university or college have a business incubator. A business incubator can help students, especially who have an interest in becoming entrepreneurs. The business incubator provides consulting service; help student to liaise with investors and to bridge the relationship between alumni entrepreneurs and students who will become entrepreneurs. Business Incubator will be very helpful for students like Mr. D who are interested in becoming entrepreneurs but still have some doubts.

In addition to government and educational institutions, parents, especially housewives who are fully engaged in early childhood education for their children at home, played a major role in instilling entrepreneurial values to their children. Of interaction in daily life, the housewife can teach their children to be creative and innovative, driven and diligent, and proactive to change and adaptive to whatever environment they encounter. A simple example, the actions of Lady A, who taught her son to sell his comic book before her son could buy a new comic book. The simple action of an entrepreneurial spirit performed by housewives for their children will actually firmly plant in the child mind. And housewives who become entrepreneurs can be a role model in fostering the entrepreneurial spirit within their children. Children can see firsthand the entrepreneurial practice in their home.

CONCLUSION

From the discussion above, it can be concluded that a housewife and students above 15 years old (youths) who are not considered as workers also can help reduce poverty and help reduce unemployment. They can play a role as a pillar of the Indonesia's economy, especially in times of economic crisis and employee firing occurs everywhere. Although they only have a micro business, and only do business in their spare time, but they still have a market and remain able to sustain the country's economy. Imagine if all youths and all housewives who in August 2014 amounted to more than 40 million people have their

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own business. They certainly also can help the Indonesian economy in the era of the ASEAN economic community when the level of competition increases and the market became wide.

And from those discussions above, it also can be seen that college students who already have started a business, although only as a part-time entrepreneur, have a tendency to continue their business after graduating from college. This is because, at the moment they still have parents to finance their lives, they've tried to do business and face barriers to starting up. When they've finished college, they've managed to face barriers to starting up. And, the entrepreneurial spirit has inherent strongly within them.

Given such conditions, it would better if the government extends the program to empower entrepreneurial spirit and also to deter barrier to starting up for housewives and youths, either with the status of a part-time or full-time entrepreneur, which actually includes the criteria of the owner of Micro, Small, and Medium Enterprises. In an effort to empower the housewives and youths, the government is expected to strengthen the role of a cooperative to help entrepreneurs MSME owners. Educational institutions, parents, especially housewives, and networking have a major role in the empowerment of entrepreneurial spirit and also deter barrier to starting up.

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KEY TERMS AND DEFINITIONS

Developing Country: A condition where a country has low living standard and low per capita income. The human development index in this kind of country is also considering low.

Entrepreneurial Spirit: A mindset and attitude that own by someone that make them have some traits, such as want to take a risk, accept the challenge, and do not like to wait for something to happen or have act orientation.

Housewife: A married woman who do household management and caring her family as the main occupation.

Poverty: A state of one who lacks a certain amount of material possession or money. This condition could be defined as either absolute or relative.

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Unemployment: A condition where someone in labor force group does not have any job.

World Bank: An organization that gives assistance of financial and technical aspect for developing countries all around the world.

Youth: The time of life between childhood and adulthood.

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Chapter 53
The Crossroads That Were Never Meant to Be:
An Account of Promises and Challenges in an Orphan's Empowerment Journey

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ABSTRACT

Today's world faces challenges of increased number of orphans. In Botswana, HIV/AIDS scourge widens figures and poverty increases vulnerability. Beyond existing empowerment supporting schemes, and policies, orphans are responsible for complementing government's efforts. In this chapter, the orphan had hoped for economic empowerment through his old barber shop. His hope was drowned when he got a kiosk instead of barber equipment. The kiosk in his yard stands as a promise of government support, on the other hand, it is a symbol of no voice and choice over improvement of his future life. Challenges to improvement include government's prescriptive procedures and bureaucracy. These challenges have in turn created self-doubt, bitterness and a feeling of betrayal on his part. This chapter illustrates that for empowerment strategies to succeed, there should be synergy between beneficiaries' needs and government support. Monitoring too is an essential part of successful practices.

INTRODUCTION

The case reported here is that of an orphan who is a citizen of Botswana. He is given a pseudo name Orx for ethical and professional reasons. In the context of Botswana, Vision 2016 sets a tone for support and inclusion of orphans in government services by emphatically stating that no one should be disadvantaged by the circumstances of their birth. It thus compels the government and their agents to ensure that orphans especially the poor ones are not disadvantaged in life because of having lost parents who, in most cases, were breadwinners.

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Support for orphans varies, for example, psychosocial support is an important component of any intervention aimed at improving the lives of orphans and vulnerable children (Boler & Caroll, 2003; Strebel, 2004; Miller, 2007). The Botswana government has also focused attention on providing restorative activities such as education, health, food, occupational and revenue generating activities to help these children lead a dignified life and have hope for the future. An important raison d'être for these interventions is to ensure that these children are protected from further social ills associated with poverty and vulnerability.

BIDPA (2007) reports a significant amount spent on the care of orphans, for example, in 2000 to 2001, Botswana had expended about P7 million and in 2002–2003 the figure had risen to P34 million. BIDPA further reports that in 2003/04, a more significant rise occurred amounting to P150 million while in 2004/05, the amount escalated to P212 million, making the orphan care program the most costly of all the social safety net programs. Against the background given above of the importance of paying attending to the welfare of orphans, this chapter focuses on an individual poor young adult orphan in the outskirt of the city of Gaborone called Old Naledi. This place started as a squatter place some years back and now has developed into a big residential place with modern brick-walled houses and some shacks. The place is mainly characterized by dwellings for the very poor. Many of these structures are bricks and roofed with corrugated iron. Many people in this location are not working. Some households have thus built rental units as source of survival. In some cases, this has led to overcrowding. The situation is complicated by sewages like pit latrines, some not maintained well. This is a place in which 'Orx' (pseudo-name) lives with his relatives.

As already stated, Orx may not pass the test of an orphan as per international standards and especially using the World Bank's (2004) definition. If age is used as the sole descriptor, he is already over 18 years of age and now a young adult, but still a youth as per the definition of Botswana (12-35 years). Apart from age, Orx exhibits all other characteristics of an orphan, the basic being both parents are late and he has no one to support. Also, he is still a youth.

The chapter will thus present a detailed background describing the situation of poor orphans in the context of a developing country like Botswana. Thereafter, the case is fully described recognizing Orx (pseudo name) as an orphan who needed support and had hopes on the government existing support for people like him. The section that follows describes what defeated his promises especially the self-started barber business. Other challenges that made it impossible for him to take advantage of available opportunity, (a kiosk) shall also be explored. The chapter closes with some future trends pointing to what may be done by both parties (Orx the beneficiary and the government of Botswana, the funder) to bring out mutuality, differences and work out strategies that can be used to address the needs if fruitful empowerment journey is to be maintained.

BACKGROUND

This background presents general understanding of the concepts of orphans, empowerment and poverty. It gives preferences to examples taken from the context of Botswana, a country from which the case presented in this chapter is derived. Below are brief discussions of the three main ideas of this paper.

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Inside the World of Orphans

In this chapter, orphans and vulnerable children could be defined as those children who are most at risk of facing increased negative outcomes compared with the "average" child in their society (UNAIDS, 2004). The World Bank (2004), for example, define an orphan as a child aged zero to 17 years whose mother, father, or both have died. In the context of Botswana too, this definition is applied in government documents dealing with orphans as part of the vulnerable children (Republic of Botswana, 2008). While the concept of orphan is influenced greatly by age, there are other basic characteristics used to define who an orphan is. The World Bank (2004), for example, gives another category called social orphans. In this category, one or both parents may still be alive but are unable to perform parental duties for various reasons like illness or acute poverty. While these categories may differ, they, however, converge at pointing out the need for addressing the vulnerability of orphans. While the degree of vulnerability differs, they all need to be supported appropriately to manage specific risks in their lives. The poor orphans, for example, would look for support in the forms of materials or financial support while those orphans with money or material may look for psycho-social support.

Globally, there is an increasing awareness amongst governments and support agencies that support should be tailored to the specific needs of orphans. Stover et al. (2006), for example, recommend that for better quality of life, orphans need education, psychosocial support and economic self-sufficiency. They are, however, susceptible to various other social ills. It has to be recognized that because of their tender age of zero to seventeen (World Bank, 2004), they are unable to fend for themselves. Furthermore, they cannot cope with life challenges/demands such as being able to pay for their school, clothe themselves and they are defenceless in the face of abuse and exploitation. This type of vulnerability catches the eye, ear and feelings of all those with sympathetic hearts.

Botswana has been praised for having directed extensive efforts to improving the lives of orphans and other susceptible children particularly those who have lost their parents to HIV/AIDS (Mushunje & Mafico, 2010). In sub-Saharan Africa alone, the 2004 statistics estimated the number of orphans to about 43.4 million which meant that one in seven children are orphaned (UNAIDS, UNICEF, & USAID, 2004). Given this high numbers that continue to rise, many African countries are faced with the biggest challenge of catering for these children (SAFAIDS, 2011).

Care of orphans is a complex task. This complexity stems from the dynamics of this group. Some live in extreme poverty. Others live with some disabilities, still some are challenged in some various ways, like being sexually abused, exploited and marginalized. Additionally, it has been observed that in many African countries, orphans live in households headed by people with very low levels of education (Bicego et al., 2003; Miller, 2005; Miller, 2007). For instance, these authors indicate that in countries like Botswana, Kenya, and Tanzania, orphans were more likely than non-orphans to live in households where the head had no education. This adds to their vulnerability as they too may not progress any far because of the lack of support or encouragement. This in turn exposes them to the high chances of failure in schools and less or no chances of being employed in better paying jobs. They are then pushed to jobs that attract low wages like kitchen hands or a care giver.

The problem of orphans is not a new phenomenon in Botswana. However, in the past, this problem was not as much pronounced as now because relatives and the community at large provided a safety net for these children. Traditionally, this kind of care applied to all African countries. Wallis (2010), for example, observes that the magnitude of this problem has strained the traditional safety net provided by extended families to its breaking point. However, not all is lost. Few still find support in relatives and

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the bulk of support is shifted to the government. For the government, responsibility comes along with the escalating number of orphans, for instance, Government of Botswana (2008) reveals that in 2002 there were 39, 571 registered orphans and by 2004, this number had increased to 47,964. According to Botswana Federation of Trade Unions (2007) there were 51,600 orphans registered throughout Botswana. These numbers could have been compromised as relatives continue to refuse to register orphans especially those resulting from HIV/AIDS because of the stigma associated with this epidemic.

Understanding the risks of orphans and vulnerable children is critical for attaining the Millennium Development Goals set by the United Nations in (2000) for education, health, nutrition, and poverty. The World Bank (2004), for example, warns that failure to attend to this vulnerable group may impact negatively on their socio-economic wellbeing and this in turn affects the development of the country. It is on the basis of the seriousness of the problem of orphans that several interventions are developed aimed at giving a fair chance of living to this vulnerable group. In Botswana, there is political will to ensure a better life for orphans and this willingness can be traced as far back as 1999 when a Short Term Plan of Action on Care for Orphans (STPA) was introduced by the government of Botswana to respond to the mounting figures of orphans in the country (Government of Botswana, 1999). The key intent of this plan was to;

1. Respond to the pressing needs of orphans (food, clothing, education, shelter, protection and care),
2. Identify the various stakeholders and identify their roles and responsibilities in responding to the orphan crisis,
3. Identify mechanisms for supporting community based responses to the orphan problem, and
4. Develop a framework for guiding the long term programme development for orphans (Government of Botswana, 1999).

A point to note coming out of these objectives is the realization that government alone could not succeed in addressing the challenges of poverty and issues affecting orphans. A number of interest groups such as communities, non-governmental organizations (NGOs), and individuals should be brought on board to assist. UNAIDS et al. (2004) in support of partnership to address the needs of orphans, state that "through committed partnerships and collaboration, millions of children and adolescents can have a chance of a better future" (p. 5). This type of life improvement is generally referred to in this chapter as empowerment. A brief explanation of what this empowerment entails in this chapter is presented below.

A Note on Empowerment

There are various definitions of empowerment. One such definition is that it is a process through which individuals/groups gain personal or collective resources to better their lives. In many cases and especially these days, monetary gains are considered basic empowering assets. However, life experiences support Page and Czuba's (1999) argument that empowerment is much more than just aiming for money or material possession. It is also about emotions, capability and health. For example, the grassroots groups such as the poor, people with disability are sometimes considered less able to work to improve their situations, basically because they do not have money. This disregards other empowering assets like knowledge of life's circumstances and ability to act. This understanding challenges some basic assumptions about power, especially where power denotes those with money to support those who do not have money or materials. While not denying the fact that the 'haves' can help the 'have nots' to improve their

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lives, respect for each other's strength is crucial. Parties involved should decide to plan, implement, and evaluate in unison for empowerment to be appreciated. Empowerment is simply realizing one's potential, strengths and using them to explore existing opportunities to make a better living.

A Focus on Poverty Reduction Strategies

Focusing on government reduction strategies is a means to establish opportunities that exist for a poor orphan person like Orx for survival. Over the past years, the government of Botswana has come up with different strategies to address poverty. The current and most popularized one is the backyard garden whose objective is to serve as an income generating activity and also for domestic consumption. In addition to this strategy, there are many others such as the Revised National Policy for Rural Development, National Policy on Women in Development, Revised National Youth Policy, Destitute Policy, National Food Strategy, National Health Policy, National Plan on action for nutrition and National Policy on HIV/AIDS. Some are specifically tailored to address the needs of the youth, a category in which Orx, a case of this chapter falls. The Revised National Youth Policy, for example, is intended to guide all national efforts in the development and implementation of youth programs, mobilization of resources, strengthening implementation mechanisms and improving overall coordination within the youth sector (Republic of Botswana, 2010). It is in the context of these support schemes that Orx had hoped to empower himself by operating a barber shop. The specific strategy/scheme that Orx applied for is the Poverty Alleviation Program. The main objective of this support program is to improve "the livelihoods of Batswana by addressing all aspects of poverty including among others, policy environment, institutional framework and establishment of sustainable economic empowerment projects" (Republic of Botswana, 2012, p. 6). It is expected that potential beneficiaries should apply to be considered for support. In other words, each applicant states what he/she wishes to be helped with guided by the criteria for support as stated in the policy. For example,

- Beneficiaries should be able bodied Batswana citizens aged 18 years and above and should demonstrate ability to, interest and commitment to undertake the project.
- An individual can only benefit once from the program and priority will be given to first applicants.
- At the commencement of the project, beneficiaries will be required to enter into a Memorandum of Agreement (MOA) which also stipulates the location of the project (Government of Botswana, 2012, p. 8).

The implication is that not everyone gets supported. The support is given on the basis of what the applicant demonstrates as viable income generating activity. As well, an applicant should have the requisite ability, interest and commitment to undertake the project. Orx's story indicates that he had convinced government officials that his proposed project would generate income and make his life better. However, what surprised him was to be given what he did not apply for. He was offered a kiosk shop instead of equipment for a barber shop.

In discussing with Orx, he was now close to the edge of depression as he did not know what to do with the kiosk shop. Orx's story may demonstrate a critical element of empowerment processes; that, empowering citizens is a significant challenge that requires mutual understanding and agreement between the two parties. It takes not only relevant policies but carefully directed processes to ensure the usability of resources and materials allocated to the beneficiaries. In the case of Orx, good policies exist but chal-

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lenges or barriers to proper access have also been demonstrated. Of particular interest to this chapter are those policies that are directed at combating the negative outcomes that poor orphans and other vulnerable groups are likely to face due to effects of poverty. The main National Strategy for Poverty Reduction (2003) is directed at finding out appropriate mechanisms to complement and synchronize various poverty reduction initiatives. The distinctive attribute of this strategy is to avoid the piece-meal approach to the problem of poverty and use an integrated approach to ensure maximum use of resources. The Revised Policy on Rural Development (2002), on the other hand, is intended to expand the coverage defined by the National Strategy for Poverty Reduction (NSPR). It gives preference to reducing rural poverty, promoting sustainable livelihoods, stimulating rural employment and income generation, diversifying the rural economy, reducing dependency on Government (Ministry of Finance and Development, 2002).

One other important policy is the Botswana Vision 2016 which was developed in 1996 after wide national consultations. It was officially adopted in 1997. This Vision emphasizes three critical principles of effective empowerment, namely, equal participation by all in national development, fair treatment where no one would be disadvantaged as a result of their status in life as well as Botswana being "a compassionate and caring society" by 2016. This means that by using diverse approaches, Botswana should guarantee that no person in Botswana lives below the poverty datum line. Vision 2016 projected that all people will have access to productive resources regardless of ethnic origin, gender, disability, or misfortune by the year 2016. It further goes on to say that Botswana will have succeeded in helping people to escape from the poverty trap through means such as social safety nets for those who find themselves in poverty for any reason (Presidential Task Force, 1997, p.9). However, with only two years left before 2016, poverty still remains one of the greatest challenges the country faces. The poverty map, for example, indicates pockets of dire poverty in a number of districts of Botswana including Kgalagadi, Gantsi, Ngamiland, Southern District, Central, Kweneng and the Chobe (Government of Botswana, 2011). This may mean that government interventions alone cannot effectively address the needs of all these poor people. Blanchette (2007) has actually observed that quite often, people are deceived to believe that government alone with its vast infrastructure and immense financial resources can improve the plight of the poor but experiences prove otherwise. Individuals and communities too have to commit to the eradication of poverty. In as far as the orphans are concerned; a crucial step towards assisting them is to assess the risks they face. These risks include the economic, social, psychological ones and trauma (World Bank, 2004; Candace Miller, 2007). Policies are there in Botswana to address these needs, as already discussed.

It has already been mentioned that Orx is a youth who can benefit from youth empowerment policies. A number of policies have been directed at helping them to live their lives in a more decent manner. In 1996, the Botswana Parliament endorsed the National Youth Policy (NYP) meant to uplift and advance the participation and empowerment of youth in the national public policy agenda. It identified six strategic areas, namely, education and training, health promotion, employment, participation of young people in recreation, sports and leisure and harnessing youth talent (Republic of Botswana, 1996). The policy was followed in 2001 by the establishment of the National Action Plan for Youth 2001-2010 (NDP 10) that also complemented the priority areas along with plans to enable young people to develop better life and entrepreneurship skills (BFTU, 2007). The Plan also emphasizes the need to align economic opportunities with competencies as well as the development of skills that employers want. It also encourages harnessing of youth talents (BFTU, 2007). Cases can be cited of youths who have benefitted from these policies. However, this is not the focus of this chapter.

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THE CASE AND ITS SETTING

This chapter documents an experience of an orphaned young man living in the vicinity of Gaborone called Old Naledi located in southern part of the city. It is one of the oldest squatter locations having existed way before independence. It carries a notorious brand of poverty and crime. The researchers obtained access to use the case through the Poverty Eradication Officers in the Office of the State President. When directed to it, it was described as a success story. By a success story meant that the beneficiary was successful utilizing what the government offered him. However, the reality on the ground was opposite. When we (researchers) arrived at a place of operation, we were met by a young man in his twenties, quite distraught. He shared his disappointment at the government of Botswana for offering him the kiosk shop while he had applied for a barber shop.

A brief description of Orx is presented below. This will help readers to appreciate his background and why he desperately needed government support to sustain his life. He was born in 1987 and his mother died in 1999 while he was doing Grade Seven (7). He grew up in Gaborone where he did his junior secondary school education (Grade 8-10) at one of the community junior secondary schools in the city. He, however, did not complete this level of education having been expelled due to bad conduct. The lack of completion of at least a junior high school for Orx could perhaps be equated to a beginning of life full of hardships. Education in Botswana and elsewhere is considered a stepping stone to a brighter future especially for children in a distressed situation like Orx. The literature is clear that education occupies the top in the list of activities that have appositive for orphans because it is common knowledge that the more educated the greater the chance of earning a higher income than those without education. While there is an outcry to keep these children in schools, there are still situations when they are expelled from schools for various reasons, a very unfortunate reality that escalates their difficulty. Obviously, an expulsion from school usually leads to anger on the part of the expelled if they believe it was unjustified. These sentiments were expressed by Orx. It became clear from the conversation that having been expelled from school has actually increased Orx's vulnerability and sensitiveness to anything that seems to further threaten his life. For this reason, it is vital that development practitioners should fully understand the circumstances of orphans when interacting with them to ensure that they uplift not downplay their positive spirit (Tooney, 2011, p.182).

It is worth noting that Orx's entrepreneurial skills started at a very early age of about twelve (12) through what can best be explained as "sitting next to Nelly". He watched and learned by trial and error as well as engaging in hands-on experience as his uncle cut hair in his home-based barber shop. The barber shop was a source of living for him and the family. He watched his uncle earning money through it, and buying clothes as well as paying whatever fees needed at school. When his uncle passed on in 2001, life for Orx, the orphan took a new direction, a new phase of despondency. He knew by then that he either did something to survive or starve. He had learned enough from his uncle to continue what the uncle did for them to survive. He started operating a barber shop during school holidays. After being expelled, it was a regular business. He was on his own until 2012 when he heard of the poverty eradication program commonly known as 'nyeletso lehuma' (Setswana name that translates into poverty eradication). He was informed by a neighbour who also wanted to enrol in the program.

He took the neighbour's advice seriously and went to the community development office to apply where he was informed of all the requirements that needed to be met. He applied and met all the requirements and was subsequently awarded funding. The award process involves looking for proper materials

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and equipment for the business and these were purchased by government through its poverty reduction scheme. Orx had applied for barber shop equipment.

He was surprised when one day government officials delivered a kiosk shop to him, something he did not apply for. He was informed that during the assessment of the location of the business, the officials realized that Orx's choice of a business place was not suitable for the project he proposed. His home, for example, did not have electricity and hence operating the equipment for a barber shop was not possible. It was then rationalized that since there was no kiosk shop close by, he could utilize one for income generation purposes. His initial thinking was to accept the kiosk shop and determine what to do with it thereafter. It was a spacious new shop. The total price for it was about P6, 000.00 (approximately USD600.00 with the current exchange rate).

To kickstart the business, he asked his sister to run the kiosk for him. Initially, the business did well and with the gains from it he had already started building a house at his home village. Things took a different turn when his sister developed a habit of misusing the money gained. His relationship with his sister soured. Orx portrayed his sister as a "snake" ("ke noga") as he said in his native language of Setswana). This expression is usually used in the Setswana culture to indicate brutal betrayal and a complete lack of trust on a person. His bitterness stems from the fact that his own sister connived with outsiders to cheat him and rob him of the only source of survival. This experience has bred some fresh and different kind of resentment to the kiosk shop that was imposed on him. He no longer wanted to use it and would do whatever it took to return it to the government.

Orx's only hope was to turn back to the barber business. It was quite a very small structure with an old chair for customers. It was operated in an open space not far from Orx's residential home. He continued working in his barbershop without support from the government.

The barber shop was not doing so well because of lack of equipment. However, he revealed that his customers were very happy with his service and skills and at times some paid him more than he asked for, as a gesture of appreciating his skilful job. He believed that if he operated in a proper barber shop, his business would be flourishing. He was worried about the future of his business. When he reported to the social workers that he was closing the kiosk, he was hopeful that he would get guidance and assistance on a way forward. Since closing, none of the social workers ever visited him. His hopes of self-sufficiency were drowned. Orx faced a number of challenges and some of these challenges are explored below.

HOPE DROWNED! THE CHALLENGES IN ORX'S EMPOWERMENT EFFORTS

The section focuses on the challenges that have made it impossible for Orx, the orphan, to pursue his dreams of operating a barber shop as a way of generating money for survival. While many challenges can be cited, only three main ones are discussed in this chapter.

Self-Defeating Behaviors

Orx, the beneficiary, displayed attributes that could make it difficult for him to take advantage of existing opportunity of a kiosk shop. Lacking proper words to explain his behaviour, we decided to use the phrase "decontextualized best". This phrase implies that, Orx has decided that the best project for him was the barber shop and was completely closed up to other options. It has been explained that the barber shop was difficult to operate in his location due to unavailability of electricity. Orx had closed his

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thinking to this reality. No one knew how he intended to operate the equipment that needed electricity in the midst of the unavailability of electricity. In a way, he had removed the business out of its context (hence the term "decontextualized best". If, for example, Orx were to be open to other alternatives, he could be innovative enough to use the kiosk shop that has been turned into a 'white elephant'. In a way, his refusal of appreciating other options is self-defeating in the sense that there are very good reasons to believe that Orx may not get the barber shop when he had already benefitted from a kiosk shop. Rather, it may take years for the bureaucrats to consider his case and come up with something that may please him, because government mechanisms operate best on internal/inner logic of doing things rather than the inner feelings of the beneficiaries. The social workers have assessed and found that the barber shop would not work and decided to offer him something that would work. The government of Botswana would normally not take empty high risks, when awarding funding for poverty reduction projects.

Furthermore, it is important to underscore a Setswana proverb that cautions against being overly/strictly selective. A Motswana should understand that "motlhopha ntsi ke yo o kgorang" (beggars are not choosers). As the saying goes, as long as you are not overly selective, everything remains possible. This speaks to the need to be flexible when opportunities present themselves. It is possible that the kiosk can be used for some income generating activity. As of now, the kiosk is abandoned and the possibilities of it being vandalized are there. The fact that it remains unused because it was not his choice indicates his inability to be open up to other possibilities and perhaps also to a lack of initiative on his part.

Incomprehensibility of Bureaucracy on the Part of Orx, the Beneficiary

The case indicates the need for beneficiaries to understand how government bureaucracy works. It was clear that Orx had no idea of how government bureaucracy worked. The fact that he reported having gone to the offices as many times as he wished, demanding to be awarded what he had applied for, indicates lack of knowledge between privileges and rights. Important to note, is that Orx has lower levels of education and the environment in which he resides would not help him to comprehend how bureaucrats operate. He should be helped to appreciate how bureaucratic procedures operate. These bureaucratic structures usually result in highly rigid decision making procedures that according to Blanchette (2007) have a tendency to favour more powerful than powerless individuals. Orx can be described as powerless in the sense that he had no source of living.

Common sense would want us to believe that openness to alternatives rather than insisting on making a choice even where prospects for chances are dim, defeats prospects for empowerment. In this case, for example, 'Orx' has been provided with a spacious kiosk shop. The fact that it remains unused because it was not his choice indicates his inability to be open to other opportunities and perhaps a lack of initiative to think of other projects. While it is good to assert oneself and speak up for what one believes in, Orx should be helped to understand that government procedures are not easily altered to favour an individual, especially the disadvantaged like him.

The fact that Orx has decided to operate a barber shop that has been a source of survival for the family for as long as his uncle was alive may indicate that social workers' decision may have overlooked alternative ways of running the business in such conditions. Orx's unfortunate situation (as he himself explained it) may have resulted from government's officials' limited understanding of the environment. Borrowing from Griffin's et al. (1998) words, one can say that government officials involved in Orx's case only half-know or did not know at all how he intended to operate his business. This statement becomes particularly true in situations where agents of poverty reduction hardly involve the beneficiaries

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in the discussions of what they want to do for them. Chambers (2003) actually advises that as long as the poor are placed at the periphery when decisions about how to take them out of poverty are done, the exercise is just a play round about activity that cannot be fully achieved. This idea seems to attract an increasingly number of thinkers, researchers, practitioners, policy and law makers and other stakeholders alike. There has to be a strong sympathy to the situation of orphans especially those that are poor.

Weak Monitoring/Feedback on the Progress of the Project

It is worth noting that the Department of Social Services is highly understaffed. This acute shortage of staff is the main obstacle in the execution of the poverty reduction program. A study conducted by BFTU (2007) indicates that there are only 82 positions at the D3-C4 level to manage the case load of 51,600 registered orphans. This translates into a case load of 629 orphans for each post annually. Given this case load ratio, it is virtually impractical for social workers to monitor the progress of projects of all orphans. It may be for this reason that Orx's project has never been visited. Clearly, this reveals the need for instantaneous capacity building for the Social Welfare Department (Miller, 2005). Appropriate action needs to be taken to augment the number of social workers to improve the situation so that one social worker could take care of 200 orphans. Development practitioners themselves, attest to the problem of staffing as a major challenge in addressing issues of this nature particularly when it comes to monitoring of projects.

SUMMARY

More than any other things, Orx's case revealed the lack of voice of the vulnerable in the decisions that affect how they live. It may be true that government eradication project can be helpful to others; however, it becomes a problem when people are given project that they have no interest in and no skills to run. While it is appreciated that the government or any other funder should prioritize, such priority should take into consideration the felt needs and capabilities of the beneficiaries.

In as far as Orx, the beneficiary is concerned, common sense makes us believe that where innovation is exercised, the kiosk would be put to use. Simply stated, Orx has his share of negligence or resistance to think and utilize an opportunity he has been given. He can reasonably discuss the situation with leading government authorities responsible for poverty reduction who can advise on a way forward. To reduce expectation that the government awards exactly what has been applied for, implementers of poverty reduction hand-outs should ensure that beneficiaries are aware of how government programs operate. Orx's reaction to the kiosk shop awarded to him affirms that he was not aware that applying for support does not automatically translate into awarding exactly what has been requested. He is not aware that government could set its own priority areas of support.

FUTURE TRENDS

The challenges experienced by Orx indicate that a participatory and multi-sectoral approach in the delivery of services to orphans is urgently required if these children are to be empowered, to be helped to uplift themselves from poverty. This approach would involve all stakeholders including the poor, orphans

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and the youth among others. It has already been observed that empowerment becomes possible through holistic and comprehensive psychosocial support for the orphans and poor (Mushaandja (2013). In the case of Orx, there are some social workers, for example, in the nearby community hall where Orx can be helped to deal with some of the deeper feelings of betrayal and to be assisted to disentangle from his conscious or unconscious resistance to make use of the kiosk shop. These counsellors may gain better access to Orx's business (presently the barber shop operated in a shack under a tree) and even advise him how he can run the kiosk. Experience can help to spark and strengthen his interest over time, especially if it is paying. If Orx focuses his energy on making the money through the kiosk shop, his goal of self-empowerment may be achieved. He will not gain it by being in the negative spotlight through harbouring anger towards the government, as this has bred self-sabotage by refusing to open up to suggestions of how to make use of what he has been given. It has been illustrated that those who manage to be empowered "exhibit a sense of openness to new ideas and alternatives (Centre for Community Enterprise, 2000, p. 11).

While most of the claims made by Orx were not corroborated by the government officials, the implications of them are that where two parties fail to agree, resources are wasted. What stuck out as wasteful in this case is a kiosk shop that lies unused. While we are aware that a tendency by those who feel they were deprived an opportunity is to drift to the negative attitudes, it has also been clear that Orx's conscious or unconscious intention to close out any suggestions of using the kiosk that he has been supplied with is self-defeating. Despite the fact that he is emotionally attached to the barber business, he has to find his way forward with the kiosk rather than remain stuck in anger, disappointment and discouragement. Counselling is necessary. Lay counsellors such as members of village development committees or community based social workers can be involved to help Orx become more aware of the kiosk as an opportunity for income generating activities. This approach which calls for mutual respect will help people to feel a sense of ownership and responsibilities to community problems and be encouraged to act on them.

Furthermore, it is accepted that prior experiences are normally guiding principles in helping a person to come out of undesirable situations. This means that any strategy intended to help a poor person to come out of poverty without taking into consideration how his or her real experience of poverty is bound to fail. In this case, evidence indicates that the beneficiary had applied for a project that he had experience on and had been doing for a long time. By offering him a project he lacked both knowledge and interest on, was tantamount to nullifying his rich experiences and portraying him as an incapable person. Very often when development strategies ignore experiences of beneficiaries, resources are wasted and talents are frustrated. There is ample literature supporting and illustrating the benefits of mutual understanding and working together of developments agents and beneficiaries. It is worth reiterating this perspective to a point that all stakeholders become active supporters and implementers of this noble idea.

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KEY TERMS AND DEFINITIONS

Bureaucracy: A highly rigid decision making procedure with many levels making it difficult for an ordinary person to understand the nature of the delay and the consequences of such on needy clients.

Decontextualized Best: A situation where the best choice is not possible given prevailing circumstances yet they close up to other options.

Empowerment: A process where an individual becomes aware of his/her potential to use available opportunities for life improvement.

Entrepreneurial Skills: The ability to work with opportunities and risks involved in income generating enterprises.

Income Generation: Means of obtaining cash.

Poverty Reduction: Ideas and strategies intended to bridge the gap between deprivation of some life needs and needed resources for better livelihood.

Vulnerable Children: Those young people of ages 12 – 29 who find themselves in situations that expose them to multiple injustices of the world e.g. poverty, exploitation, abuse, hunger, and disease.

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Chapter 54
Functional Effectiveness and Modern Mechanisms for National Urban Systems Globalization: The Case of Russia

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ABSTRACT

Cities' transformation into active actors of international economic relations and their participation in international competition form a complex of relevant problems about efficiency of relationships between business and government, global competitive advantages of urban economies, quality of municipal governance, and development and international integration of the urban system of the modern countries (including Russia). This chapter examines a development of the modern features of the urban system in Russia, analyzes its macroeconomic indicators, actual problems, and evaluates various scenarios for the development of both individual urban economies and the entire urban system of Russia.

INTRODUCTION

Modernization of economy of Russia with world's largest natural resource, personnel, innovation and technological potential should be based on transformation of mechanisms for Russian industries' integration in world globalizing economic space. Improvement of efficiency of Russia's involvement in globalization trends requires an adaptation of the Russian economy to leading global trends - growth of modern cities economic importance and concentration of world economic activity within the boundaries of magapolices' global network.

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Features of formation of Russian urban model and national system of Russia' cities' territorial distribution, as well as modern problems of Russian cities' functioning that became particularly acute in conditions of Russia' economic growth slowing, reducing of indigenous population and growth of international migration, identified an importance and relevance of finding modern approaches to urban management systems in Russia and scenarios of Russia further urban environment development.

The purpose of the study is to define, based on the analysis of factors and features of Russia urban economy development, the possible scenarios of Russian urban economic systems progress, as well as the tools to modernize Russian city network for its adaptation to needs of the global economy and world market trends .

Objectives of the study:

- To assess current economic role of cities in the functioning of Russia economic system;
- To identify patterns of economic development of Russia cities during the past 20 years;
- To consider the main problems of formation and present stage of Russia urban economy development;
- To clear possible scenarios of Russia urban system progress, to assess abilities of achieving an optimal performance of the Russian system of municipal services in the future;
- To set recommendations for modernization of the Russian urban economy in the short term.

The main hypotheses of the study:

H1: The economic importance of Russia cities does not correspond to their role in formation of the Russian population;
H2: The system of Russia municipal economy is not effective in terms of its capabilities of territorial distribution of economic activity, distribution of income and potential for economic progress;
H3: Structure of Russia urban economy mostly doesn't meet logic of today's global cities and urban business systems;
H4: Russian cities are low effective in terms of implementing their functions for innovative development and technological progress stimulators;
H5: The most important trends determining development of Russian cities, as well as probability of formation of Russia modern urban economies, deeply integrated into the global economic production and trade processes are growth of labor migration, introduction of the principles of entrepreneurship in city management, as well as development of international economic relations between cities.

MAIN FOCUS OF THE CHAPTER

Russian Cities in Modern Conditions of Economic Globalization

Russia is a geographically largest country in the world and leading economic system in the structure of global economy. Cities are places for residence and employment of almost 2/3 of Russians. This, on the one hand, allows considering Russia as an urbanized state. On the other hand, evaluation of the sources of Russia's GDP shows diametrically opposite results - a large part of Russia's gross domestic product is not formed in the cities but in rural areas (primarily in the regions of natural resources location).

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Russian cities are very different by their population, specialization of urban economic system, and own importance in national economy.

We can analyze an economic performance of Russian cities based on the largest cities classification on two categories – cities with population over 1 million (category A) and cities with population 0.5 - 1 million (category B) people (Tab. 1).

Analysis of Russian statistic (Rosstat) data allows determination a share of cities of both categories in fixed assets, number of enterprises, retail trade and direct investments of Russia in 2011.

Fixed assets and number of enterprises of the cities of category B, in general, is proportional to share of these cities in population of Russia.

At the same time, cities of category B have less achievements in spheres of investment and retail (if comparing with cities of category A). It's obvious that most of fixed assets, entrepreneurs, retail sales and investments belong to medium and small towns and countryside of Russian Federation; and confirms that Russia is not a country of urban economies.

Table 1. Russian cities and their population in 2011, mln[1]

Category A			**Category B**		
1	Moscow	10563	1	Perm	986,5
2	S - Petersburg	4600	2	Volgograd	979,6
3	Novosibirsk	1409	3	Krasnoyarsk	962,5
4	Ekaterinburg	1343	4	Saratov	827,2
5	Nijny Novgorod	1271	5	Voronezh	847,6
6	Samara	1133	6	Krasnodar	713,4
7	Omsk	1127	7	Toliatti	721
8	Kazan	1136	8	Barnaul	597,8
9	Chelyabinsk	1095	9	Ulyanovsk	602,8
10	Rostov-on-Don	1048	10	Izhevsk	610
11	Ufa	1030	11	Vladivostok	578,2
			12	Yaroslavl	606,9
			13	Khabarovsk	580,7
			14	Irkutsk	580,7
			15	Novokuznetsk	563,5
			16	Makhachkala	558,1
			17	Tyumen	580,2
	Totally	25755	18	Orenburg	525,6
			19	Kemerovo	521,2
			20	Ryazan	509,4
			21	Penza	506,3
			22	Tula	492
			23	Naberejnye Chelny	510,3
			24	Lipetsk	502
				Totally	15463,5

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Share of megacities (category A) in general population of Russia slightly decreased, while share of second-tier cities significantly increased.

At the same time, the share of cities with a population of 0.5-1 million in the total number of Russian enterprises significantly increased (more than for 2%).

The share of large Russian cities in retail trade critically fell. Meanwhile the share of category A cities in retail trade fell in two times (!) to 25%, and share of category B cities fell in three times (to 4.6%). This statistic data confirms an increasing role of provincial consumer markets in Russia, and is also evidenced by formation of federal retailers, their access to regions, and growth of consumer activity in the village due to implementation of federal and regional programs for countryside supporting.

Leadership of the largest cities in Russia in attracting of local and international investment retained in 2011 (the share of biggest Russian cities in total national investment stream increased for 3%), while similar index for cities of category B fell to 5,6%.

Such gap can be explained by relatively high level of development of financial and business infrastructure in metropolitan areas, as well as by fact that majority of largest Russian companies is registered in big cities. In general, such differentiation in the investment flows is typical for most countries, including geographically large ones that have similar socio-economic characteristics with Russia.

Using data of Rosstat we can characterize modern role of Russian cities in the national economy.

A general trend of Russia urban economy is obvious – share of most cities in the population of Russia is above of their share in the value of fixed assets of the country.

Only few industrial centers (Ulyanovsk, Khabarovsk, Orenburg, Ryazan, Samara, Krasnodar) has share in national value of fixed assets higher than share in country's population (in the case of Ulyanovsk a value of fixed assets is higher in times). Moscow is close to a parity. Maximum imbalance in favor of population is observed in Yekaterinburg, Omsk, Yaroslavl, Makhachkala, Tyumen and Lipetsk.

Assessment of the current distribution of retail sales between Russian cities demonstrates that only a share of the country's largest cities (Moscow, St. Petersburg) and Tyumen in national retail trade is higher than their share in population of the country.

Worst indicators of retail trade were considered in Omsk, Chelyabinsk and Novosibirsk. Yaroslavl, Makhachkala, Orenburg and Lipetsk lead in this disparity among the cities with population of 0.5 - 1 million. The result of analysis of retail trade in the largest cities of Russia confirms a previously made conclusion that role of the major cities in formation of Russian GDP reduces.

Despite a high proportion of large cities in national investment flows, an analysis of correlation between cities' shares in total investment flow and cities' shares in total population of Russia shows that most cities has high disparity in favor of demographic importance. Only Moscow, St. Petersburg, Krasnodar and Vladivostok has invest role higher than demographic one. And cities such as Togliatti, Yaroslavl, Lipetsk and Makhachkala are clear outsiders among the largest cities in Russia in the process of investments' attracting.

Synthesized indicators of cities' shares in total value of fixed assets, total number of enterprises, total retail trade and total investment in fixed capital of the country, we can distinguish so-called "average economic role of the city in national economy of Russia' and its correlation with cities' shares in total population of Russian Federation.

Economic roles of urban economies of largest Russian metropolises, as well as Krasnodar, Ulyanovsk, Vladivostok, Irkutsk, Tyumen is higher than their share in total population of the country.

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Inverse dynamics can be seen in Omsk, Togliatti, Yaroslavl, Novokuznetsk, Makhachkala, Naberezhnye Chelny and Lipetsk. Obviously, economic functions of these cities do not correspond with their population. Therefore these cities suffer under lower labor productivity and efficiency of local economic systems.

Famous business magazine "Forbes" also published a ranking of the best Russian cities for business[2]. Experts estimated 103 Russian cities with a population over 150,000 people. Cities are evaluated by 18 indicators of socio-economic development such as: city's stability, social characteristics, business climate, and purchasing power of local population, infrastructure, and convenience of doing business.

First and second places by Forbes rating in 2011 belonged to Krasnodar and Khabarovsk. Another eight positions in Top-10 belonged to Yekaterinburg, Chelyabinsk, Novosibirsk, Omsk, Rostov-on-Don, Samara, Sochi, and Krasnoyarsk. First time Sochi got a ninth rank in top-10.

One of trends can seen in the ranking is a falling of Samara that was one of the fastest growing business centers few years ago. Now Samara was not included even in top-5. Interestingly, by indexes of "purchasing power" Samara fell from first place (that city previously occupied) on the 13th place. Now not only nearby Nizhny Novgorod, but even provincial centers such as Kaluga and Vladimir are in front of Samara.

By indexes of "business climate" Samara took only 17th place, behind neighboring Kazan and Nizhny Novgorod and traditionally "depressive" Vologda and Kaluga.

Finally in the category "resistance to the crisis" Samara got only 22nd positions. In contrast to the capital of Samara region cities of Novosibirsk, Rostov-on-Don, Omsk, Chelyabinsk were much better prepared for adverse economic conditions.

Even in such situation that characterizes a current state of Russian urban economies, cities are the clear leaders in the national development and concentrate enormous economic potential.

Thus, in most regions of Russia (60%) capital city generates over 2/3 of the regional budget. In 30 subjects of Russian Federation revenues of capital city budget is equal or bigger than budget of whole province (region), where this city is located (eg, Omsk and Omsk region)[3].

Table 2. Business environment of Russian cities, ranking, 2011[4]

Russian Cities with Population:					
Over 1 mln		**0.5 – 1 mln**		**Under 0.5 mln**	
1	Ekaterinburg	1	Krasnodar	1	Surgut
2	Ufa	2	Krasnoyarsk	2	Sochi
3	Kazan	3	Tyumen	3	Belgorod
4	Novosibirsk	4	Toliatti	4	Vologda
5	Omsk	5	Perm	5	Stavropol
6	Rostov-on-Don	6	Voronezh	6	Tver'
7	Samara	7	Irkutsk	7	Sterlitamak
8	N. Novgorod	8	Kemerovo	8	Magnitogorsk
9	Chelyabinsk	9	Barnaul	9	Kirov
10	Volgograd	10	Khabarovsk	10	Chita

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Oftenly income of some cities' budgets is bigger than incomes of some Russia' provinces (subjects). For example, Ekaterinburg' budget is more than budget of Samara region, Omsk' income exceeds income of Nizhny Novgorod region, Perm collects budget similar with Volgograd region.

As everywhere in the world, Russian cities concentrate great economic, managerial and intellectual potential; have capabilities for own integration into the world economy, and easy can turn into a "growth pole" of the Russian economy in the new situation.

Development of Russian cities and other municipalities occurs in difficult conditions. Specificity of urban settlements formation (especially in the Soviet era), consequences of extremely swift and painful changes of socio-economic system in Russia affects national urban system's formation and development.

Distortions in the economic and social structure of municipalities established under the administrative-command system and the Soviet planned economy are also relevant. These disparities violate patterns and experience of world urban development, and are clearly demonstrated by even a cursory analysis of the economic systems of Russian cities.

Thus, according to international experience, a rating of typical urban economic sector looks like: services, finance / trade, construction, food processing, machinery, metallurgy, mining, and agriculture. The structure of "urban" economy of Russia is almost opposite: mining, metallurgy, food processing, machinery, construction, finance / trade, services and agriculture.

Such sharp industrial discrepancy in the country where more than ¾ of population lives in urban areas suggests that circumstances of urban development in Russia were stronger than relevant urban environment.

Structural mismatch of Russia urban economies and, for example, Western European, existing instruments of Russian urban economic influence, lead to very sharp science conclusions and findings.

For example, Russian specialist in field of urban economy Glazichev V. notes that Russia has not any developed city in European sense of the term (Glazychev, 2009).

Urban development within a "policy distribution of productive forces", led to formation of at least four problems that Russian cities are facing now:

- Narrowness of urban tax base, when municipal (regional) budgets are heavily dependent on a limited number of companies;
- Congestion of major cities' tax base, lack of sources to reduce a tax burden due to emergence of new growth points outside of major cities or urban agglomerations (in rural areas);
- Urban manufacturing sector's burdened by "costs of scale" such as high communal tariffs, big governmental housing fund, and significant "social costs" (price of maintaining an appropriate level of social infrastructure);
- Presence of number of urban settlements that peculiar only to USSR (for example, capitals of national republics, that are initially unable to be large inter-regional economic centers; poorly located city; towns of one-company (mono-towns), that are strictly depending on one main enterprise development). The prospects of these cities' development in actual economic conditions are extremely uncertain. Any progressive experience of these cities' management is absent.

The peculiarities of modern budgetary relations redistribute funds not in favor of cities or other municipalities. According to data of Russia Ministry of Regional Development, during last three years a share of subjects of Federation (regions) in consolidated Federal budget of Russia increased for 8%, while the share of municipal budgets decreased for 7%.

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A modern trend of sharp reduction of municipal funds allocated for local development becomes particularly dangerous. Today most of municipal budgets in Russia consist only of current expenditures. The share of funds in municipal budgets that are allocated for local development since 1992 in Russia has decreased from 7 to 2.5%. Even in the most affluent cities it fell from 22 to 6%.

Management of urban economy in market conditions is incomparably more difficult than in the Soviet ones. Now city management faces a great number of autonomous organizations and owners, with thousands of countervailing factors with objective character (Starodubrovskaya, 2004).

One of the biggest dangers faced by city authorities in market environment is need to resist a pressure of urban real estate speculators. Russian cities' authorities are poorly armed for this opposition, for fighting against "slumizations" of parts of the cities, with randomization of cities' development and rampant land speculation.

Almost all XX century Russia (USSR) lived in virtual isolation from other world, and is rapidly opening now.

Despite all achievements of Russia globalization, its integration into modern global processes is still relatively low.

According to the index of globalization, published annually in the journal "Foreign Policy" in 2011[5], Russia got only 47th place (from 62) in the world rank.

Moscow, with 13.5 million populations, is a largest city in the world. But only 10 years ago Russian capital was not even included in a list of global cities (by a version of University of Loughborough, England (Beaverstock, Smith, Taylor, 1999). After revising this list five years later, in 2004, same group put Moscow on a par with Amsterdam, Boston, Chicago, Madrid, Milan and Toronto[6].

However, this success in field of globalization should not be exaggerated - it refers only to Moscow, and the rest of Russia' urban economic system looks very weak.

Because of own "under-globalizing" economies of Russian cities do not cope with important functions of the major cities in developed countries: spread of innovations and positive results of globalization across the country.

These processes will inevitably be late, and the gap between regions by level and nature of their development will increase.

With increasing of depopulation Russian cities will have to compete for residents. This competition can start even today, but Russian population is immobile due to the costs for transportation and property.

Depopulation will lead to an excess of housing; the cities' authorities will distribute different promises (related with good job, living environment and free education) and subsidies to potential new citizens. A considerable flow of immigrants from abroad certainly will go in the cities country.

Extremely limited opportunities to increase a tax burden in the cities of Russia demanded changes of approaches to urban managing. The solution was found in rejection of old "bureaucratic" urban governance and in transition to more flexible and predictive policy borrowed from business.

Analyzing these changes, David Harvey defined them as a shift of urban policy from managing urban economies without a direct participation to new concept of city-management – "entrepreneurial city-management» (Harvey, 1989).

The main features of entrepreneurial urban management can be summarized in the following points:

1. Changing the principles of city budget formation; expansion of non-tax revenues by receiving profits from city' participation in business projects and by budget funds directing in the property market (for interests of the urban community).

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2. Public-Private partnerships - the city authorities can support development of local businesses using legal mechanisms and participating in collaborative projects (Berg, van der Braun, 1999). Local business also can participate in urban development and carrys a share of social responsibility, "earns" money for the city's budget through implementation of various social projects.
3. Strategy for long-term development. According to entrepreneurial paradigm of city management, a strategy for city development should (Bramezza, 1996; Feagin & Smith, 1987): 1) be innovative, create competitive advantages of the city, 2) set clear goals and ways to achieve them in the foreseeable future, and 3) not only use entrepreneurial methods discourses and terminology, but to promote themselves on the market, actively form city brand and image.
4. Creation of municipal agencies that can take coordinating and mediating role in project implementation. These agencies work with every project individually and can find individual solutions.
5. Creation and using of expert networks and institutions to "test" urban development projects at various levels (from individual expertise to the international debate).
6. Strong mayor (head of the city) and managerial team, that allows mobilizing resources for urban "enterprise" projects implementation. In this sense, an entrepreneurial city seems like authoritarian-driven, more than democratically-controlled. High risks of errors in authoritarian decision-making process have to be leveled by open public and expert debates, as well as by procedures for different interests' coordination.
7. Favorable business climate. Entrepreneurial cities are not only active business participants, but also create financial and non-financial incentives and benefits, work for investment attractiveness, improve transport and communications infrastructure (that is necessary for effective operation of enterprises and business life of the city), reduce bureaucratic obstacles and administrative barriers. In fact, a social sphere of urban economy starts to work for the growth of business profitability (Duffy, 1995).

Thus, the Russian cities are not well-functioning economic systems that are deeply integrated with both a national economy and international production and distribution. Causes of national urban networks fragmentation are internal problems of urban economic systems' functioning (eg, mismatched of most cities' economic structure to modern requirements and standards of international experience, extreme dependence of urban development on interactions with regional and federal authorities, poorly functioning of social infrastructure, etc.) and external conditions (low development of mechanisms of interaction between municipal and Federal authorities, sustained urban development due to political rather than economic reasons).

Currently, the economic system of the Russian cities has low efficiency also due to discrepancy of urban economies to basic principles of cities territorial distribution and existing differentiation of business environment in the cities of Russia.

Meanwhile, even in such difficult conditions we can note some progress in implementing of municipal economic policy (for example, city management transition to entrepreneurial principles, growth of municipal investments in city reputation and image), and in organization and structure of urban economy (development of foreign economic relations, partnerships, seeking for additional resources for city development, improving the city competitiveness and investment attractiveness).

These transformations are not only requirements for urban economy effectivization but are also a factor of maintaining the cities as unique socio-economic systems in the difficult conditions of present stage of Russia development, under influence of internal and external factors analyzing further.

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Directions of Infrastructural and Institutional Economic Modernization of Russian Cities

Analyzing scenarios of Russian cities' economic development we have to consider negative / positive effects of two groups of factors – internal (related with urban social-economical systems) and external (features of urban development).

Factors determining development of a modern urban economy of Russia are given in Table 3.

Among internal problems of Russian cities' development we can highlight:

Real threat of loss economic and geopolitical importance of the city. Global trends in the world economy substantially transform relationships between cities. In these conditions urban economies more involved in international relations network, acquire a number of obvious advantages and high competitiveness. At the same time cities, dropping out of the world's economic, political, cultural and other ties move on the periphery of global processes of economic, political and cultural development.

Efficiency of Russia economy, ceteris paribus, increases. But at the same time border between Russia and Kazakhstan and China is laid bare. So we can't be sure that Russia integration into the world economy will not stimulate new problem occurrence. Also we cannot surely forecast situation in neighboring Kazakhstan and rapidly growing China.

Flourishing of Russia, Kazakhstan and China border cities as a result of cross-border cooperation will not save stability. Likelihood of ethnic problems, stimulated by difficulties of ethnic migrants' assimilation in Russian major urban centers is very high. Very high concentration of foreign migrants in the border areas (where migrants are agreeing to live in conditions that are not accepted by Russian urban population) will stimulate replacement of Russian population primarily by Chinese.

Table 3. Factors of Russia' urban economic systems development in the long-term

Groups of Factors	Sub-Groups of Factors	Factors
Internal	Studied Well forecasted	- threat to lose key economic and geo-politic positions
		- deindustrialization
		- immigration
		- pollution
	Poor forecasted	- population aging;
		- aggressive policy in the real estate market
		- social-economical differentiation
		- increasing of social mobility and importance of human capital
External	Macroeconomic	- growth of prices for natural resources - integration in global markets - legacy of Soviet economy
	Social – demographic	- depopulation, population aging- growth of ethnic migration - new requirements for the quality and mobility of human resources
	Innovative – technological	- computerization and development of communication- cities' turning into conductors of innovations

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Computerization and development of communications in general leads to a softening of the "burden of Russian distances". But at the same time we can assume that in Russia this effect will be much weaker than in the West. Level of social services, that can be obtained in 10-15 major cities and cannot be informatized or digitized, is not comparable with other area of the country. Hence a conclusion that people involved in the processes of informatization in the foreseeable future will seek to resettle in the major cities.

Another side of transformation processes in the cities is their innovativeness and openness for innovations. Specifics of the current economy require involvement in innovative processes for large part of society. In Russia, the share of this economy is about 10%, while the share of population's employment there is even less.

Cities are multifunctional by their nature and ensure an implementation of multiple social goals. However, in practice, from all variety of urban functions "production" and "consumption" of money has disproportionate importance. Despite this importance, the cities which life philosophy is reduced and limited by these two principles and activities can eventually lose their economic power.

There are many historical examples of sunsets of the cities. For example, rich trade cities that once "paid off" for saving their trade business out of railways; or modern export-oriented industrial centers, that squeeze existing industrial and resources capacities until the last drop (Hall, 1966; King, 1990).

Other dynamics inherent for cities in difficult economic situation, when they are forced to generate changes and quickly find domestic sources of develop. This does not surely mean a prosperity, but cities are moving forward; local people can see prospects; urban processes of gentrification switch on; symbolic capital of the cities mobilizes and cities gradually become more attractive for foreign investment.

Soviet urbanization gave a vivid example of differences between achieved economic growth and poor living conditions. Even if to not look back at the era of Stalinist industrialization, Brezhnev era of rapid urbanization was accompanied by multiple and acute housing and transport problems, by sharp deterioration of environment, man-made disasters, and other social cleavages.

However, social sphere was financed and maintained in that time much better than in previous and subsequent years. It certainly contributed to the accumulation of human capital. This intellectual and professional reserve, despite the catastrophic collapse of economy in early 1990s, allowed quick and successful passing the whole transitional period, also to adapt and to use new technologies, new skills and activities. At the same time, cities with higher level of accumulated human capital passed a transit stage and were included in the process of economic recovery and growth quicker and more successfully.

Previous forms of urban governance mobilization, based on a combination of three basic principles: monopoly - concentration - competition (previously reliably provide an economic growth), now significantly reduce their effectiveness and must be balanced by another triad mobility - coordination – specialization (Vendina, 2006).

Mobility suggests that cities' involvement in networking and inter-cities relationships become more important for successful development of urban economy than cities' geographical proximity or administrative subordination. Cities' accessibility now is a key parameter for urban progress.

Movement up by the social lifts is completed by to change a place of residence and to obtain necessary social services. Mobility and accessibility naturally reduces a level of centralization and helps to equalize the living standards. Cities' coordination involves an information disclosure and reconciliation of interests.

Finally, a specialization does not mean increasing of cities' competitive advantages but to achieve a high level of development is priority and socially important area for management in every city.

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Gaining of own image means not only an increasing of autonomy of decision-making process, but also an importance of functions' and responsibilities' redistribution between the Federal and provincial centers and intensifying of services' exchanges.

It is incredibly difficult to implement because Russian cities and provinces still divide spheres of influence. However, various crises Russia's facing now (such as demographic, economic and political) do not leave any chances to live in the previous logic of power and money domination.

The most obvious steps allowing to move from policy of economic growth stimulation to policies of development stimulation and feasible at the municipal government level, are, firstly, support of changes.

Cities need their own sources for innovation to be less dependent on the activities of large corporations. These changes have not only economic but also institutional or organizational nature, affecting the scope of decision-making, management, and building relationships between state and society.

Secondly, formation of unified information space serving any form of intercity exchanges, including the education system, students and professors, providing monitoring of the labor market and real estate, transportation, and cultural ties.

Thirdly, co-usage and co-service of unique and expensive infrastructure, rationalization of necessary infrastructure costs and existing system of health and social welfare in accordance with the structure of the population and its real needs.

Fourthly, sustaining and increasing of capital of diversity that includes not only local features but also possibility of international culture and lifestyle allowing start up of gentrification processes.

Fifthly, environmental problems that are closely connected with improvement of people's health, duration and quality of life.

Finally, a rejection of authoritarian approaches to management in favor of cooperation and more flexible system of decision-making (based on the interests of different groups represented by actors or institutions who share common goals but have different competencies and are not subjects for urban governance).

Thus, in the modern conditions internal characteristic of the cities' economic systems, as well as external characteristics determined by development of the national economy and social trends and factors identify prospects of Russian cities' development, urban system formation, and Russian cities integration into the world economy, as well as the structure of the national economy of Russia.

Probability of scenarios for Russian urban economic systems development will depend primarily on the effectiveness of consolidation of municipal government, local business and local community to overcome social inertia in the context of slow economic growth. The solution of many urban problems is largely not related only with additional financing or technical support, but also with overcoming a social resistance to change and Russian federal government approach to solve the problems of urban development.

Prospects for International Business Development in Russian Cities

Analysis of prospects of urban entrepreneurship development in conditions of Russian economic system modernization has to be based on factors allowing a predictive description of future of various Russian cities types.

As one of these factors we can consider people mobility in a broader sense (not just a physical movement of people in space, but also legal and economic conditions and opportunities for territorial, occupational and social mobility).

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Another factor is a qualitative assessment of urban management systems and business environment, expressed through the set of specific parameters, such as lifestyle, relationship of the city authorities and businesses, features of budget management, social and territorial differentiation in the city, etc.

Based on this we can consider the possible scenarios of development of Russia' cities within the space of two axes. One axes describes a quality of urban governance and business environment and the second axis – reflects an assessment of people mobility (Table 4).

It seems that in any realistic scenarios of urban development no one city can be proposed in the fourth quadrant of offered coordinate system, because development of democratic institutions and civil society is always associated with freedom of people movement and human rights to choose place of residence ("City of a mirage").

Third quadrant is Russia of resources, based on Soviet system of economic and political values, undeveloped democratic institutions and restricted people mobility.

Second quadrant is a "rotational city" when people mobility is not determined by economic freedom of citizens but by economic feasibility of industrial corporations or "public interests" development.

Quadrant "developed city" is obviously the most attractive.

Development of scenarios for further Russia' urban system progress also requires to take into account long-term external factors, primarily macroeconomic (such as prices on the commodities market), socio-demographic (aging population) and technological (computerization, development of communications).

The current situation of Russia, its transition to a post-industrial society with corresponding economic restructuring and social interactions, largely determines a duality of domestic cities development.

Russian cities, following, for example, an European experience, can be locomotives for regional development, or, can be finally integrated into the world economy without remaining of any positive impact on local economy (like global cities in some developing States).

Both strategies of further urban development are really possible in Russia. First one is a transition of 10-15 Russian cities in postindustrial world while the rest of the Russia territory wallows in conditions close to subsistence farming. Second one is a formation of hierarchical urban network effectively stimulating a development of the whole country.

"Inertia" scenario of Russia urban development is also possible. According to this scenario Russia will "wander" in the lower left quadrant of proposed axes. Obviously, numerous barriers for people mobility will persist, and different options of state bureaucratic models will be predominant in urban development.

During the years of reform a mobility of Russians decreased from 5.4 to 2.2% (1993 - 2008). In addition to economic (unavailability of housing for the majority of Russians, ineffectiveness of the national database of job vacancies and employment services), social (fear of displacement, loss of communication with friends and relatives) factors there are also political reasons (local bureaucracy are responsible for a certain group of the population living in the certain area, and are interested in the preservation of this group, tries all possible ways to reduce the outflow and growth of population).

Table 4. Scenarios for Russian cities development

Quality of Urban Governance and Urban Business Environment		
5. City – mirage	3. Developed city	*People Mobility*
2. Resources provider	4. Rotational city	

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The development of this scenario may be traced by analyzing of the population dynamics of Russian cities. Almost every major city of Russia lost 5% of population. At the same time population of "second tier" cities (with population 0,6 – 1 mln people) decreased only in Vladivostok and Saratov, but significantly increased in Voronezh, Krasnodar, Izhevsk and Irkutsk.

More positive dynamics is observing in the cities with populations 0,3 – 0,6 mln people where only three cities (Murmansk, Nizhny Tagil and Arkhangelsk) significantly drop in the number of citizens. All other cities demonstrate enviable stability and development. These patterns are typical for towns with population of 0, 1-0, 3 mln (there are only 2 crisis points – Magadan and Petropavlovsk-Kamchatsky in this group).

Realistic scenario assumes a sharp increase of share of the cities that develop according to corporate model of sustainable economic growth. With the growth of business it's reluctance to "share" with local bureaucracy will grow up. This can lead to corporative representatives' victory in the municipal elections of.

Utility of corporations' relations with the cities stimulates a formation of new urban hierarchy within the domestic production and distribution system. Cities where headquarters related with planning, research and development, innovation and design are located will become major educational, cultural centers. Corporation will maintain versatility and completeness of the spectrum of urban life in these cities by providing grants for universities engaged in the sponsorship of cultural activities and etc.

In Russia regions informal economic centers (that are not administrative capitals, smaller than the provincial town, but attractive for corporations) will strengthen and accelerate develop.

Medium-sized cities that are only provincial centers and are not integrated into the global economic network gradually lose their importance. Numerous small industrial and semi-urban settlements rapidly reduce. New towns - State outposts do not form. Moreover, a spatial concentration of urbanization activity in the most profitable areas along transport arteries is noticeable.

In the future, corporations (that require an optimization of the ratio between quality and price of labor) will finance resettlement programs, transform institutions that constrain mobility and legalization of migration processes (Heenan, 1977; Jensen-Butler, 1997).

In case of business development by Western model formed system of values may give a conclusion that development of civil society is the most favorable for business. Business begins to play a more constructive role in the triangle "business - local authorities - society" and supports the processes of civil society development.

Gradually distortions of Russian urban system, generated by planned economy, will be "straightened". Largest Russian cities (Moscow and St. Petersburg) is increasingly obtaining features of the "global cities" and becoming zones of active contacts between Russia and outside world. Full-fledged regional centers (about 10 cities) will develop with the urban functions of "second order".

A complete network of medium and small cities as a system of central places will be formed. A network of small towns will be "normalized" also – some small towns will be included in the zone of larger urban agglomerations (suburbs), or enter in the system of central places with the function of service areas (service, processing of local products), or gradually naturally eliminated due to the outflow of the population.

In initial phase of the optimistic scenario bureaucratic model of development is dominated, the state periodically makes ineffective attempts to intervene in the processes of urban development.

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Simultaneously, elements of civil society are developing stimulated by computerization. Need for decision-making and implementation of specific actions in local community will lead to an increase of the real value of local government.

Migration is not a problem more, it becomes an ordinal matter. Alternative to physical movement of people is a flexible and versatile professional specialization, work through the Internet. Savings allow a person to work part time and to have free time for personal leisure and public affairs in the city.

Settlement system, developed in conditions of national economy isolation transforms in two directions. Proximity to Tokyo and Shanghai for Vladivostok as well as Warsaw, Helsinki and Berlin for Kaliningrad becomes more principled than the distance to Moscow. Settlement system focuses on dozens of major cities that provide a contact function. The rest perform the same function on a smaller scale, or die without any ways to compensate their distance from the contact boundaries of communications systems.

In order to effectively integrate into the global network, Russian cities need to integrate narrow clan and corporate interests and to unite them with the interests of the urban community. Combining of these interests is a very difficult task that can be solved on the basis of purely materialistic approach (receiving greater benefits from the partnership within the city than from fighting without rules alone).

Benefits from such association (the so-called synergistic effect) mostly belong to modern multinationals.

Important elements in the development of regional centers of Russia can be roughly grouped into blocks:

- Improved an "economic environment" in the city (creation of favorable conditions for preservation and development of existing business and attraction of new companies). Implementation of these measures is aimed at broadening tax base and employment, effect of their implementation can not occur so quickly and obviously.
- More efficient usage of budgetary funds, primarily by improving the work of housing and communal services and optimization of costs for social and cultural goals. This trend is one of the most urgent and allows to "sanitizing" the expenditure part of the city budget.
- Creation of "business environment" to promote a conservation of existing and development of new business can be carried out using a set of instruments of financial and non-financial nature.

Financial instruments aimed at improving the working conditions of business mainly in the following areas:

- Direct funding of projects (usually to finance a social infrastructure).
- Tax policy - tax breaks, tax credits, preferential loans (often to stimulate investment).
- Policy of guarantees of local administration (mainly to attract loans).

Non-financial instruments are largely arrangements. Their list is large enough and includes:

- Improving quality and accessibility of public services (upgrading facilities, expansion of networks, and reduction of tariffs).
- Improvement of transport infrastructure.
- Improvement of provision by land and property (zoning system for the sale and registration of ownership, ordering tax and lease payments, preparation of urban areas and real estate for sale or lease).

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- Improving conditions for small and medium business (establishment of a center to support SME, programs for retraining of the workforce).
- Creating a favorable image of the city (improving the appearance of the city, an active advertising campaign).

Strategic directions for development of small and medium-sized cities may be:

- Strengthening their role as centers of gravitation for agricultural, recreational, timber areas;
- Strengthening their role as structural centers in metropolitan areas (transport hubs, placements of industries moving out of the main city or interconnected with the main enterprises of the city, etc.);
- Development of functions, based on the existing potential of the city, especially skilled personnel.

Thus, the current situation in Russian cities can be represented as developed by bureaucratic and corporate type.

Nevertheless, slow "stagnating" scenario of Russian cities is not the most possible, because the processes of civil society formation and national development will contribute to more optimistic scenarios.

SOLUTIONS AND RECOMMENDATIONS

Cities of Russia concentrate almost two thirds of the population of the country. However the most of Russian gross domestic product is generated outside the cities but in the regions with natural resources.

The current dynamics of Russian cities development is experiencing a negative impact of historical features of their formation (structure of the Russian urban economy not biased in favor of the "traditionally urban" finance, trade, service, but in favor of mining and manufacturing industries; municipal budgets' dependence on a limited number of local enterprises; high social burden on the municipal budgets; and the lack of opportunities to reduce tax burden by emerging of new growth points outside of major cities or urban agglomerations) and consequences of extremely painful change of socio- economic structures in Russia in 1990th.

The system of Russian cities is low effective also due its inconsistency to basic principles of urban territorial distribution; differentiation of business environment and cities' involvement in international economic relations.

So why cities of Russia don't effectively play their major global and post-industrial functions - spread of innovations, connection to the multinational production and distribution structures, stimulating of economic development of the country, generation and commercialization of new knowledge, attracting of highly skilled labor and foreign capital.

In such difficult conditions some progress in implementing of municipal economic competencies (for example, transition to entrepreneurial principles of city management, growth of investment in reputation and image of the city) and also in organization and structure of the urban economy (development of foreign economic relations, partnerships, increasing of additional resources for cities development, improving of the cities competitiveness and investment attractiveness) is significant.

As internal factors of Russian urban economy development in the long term we can consider:

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- Decreasing of economic importance of the cities that are not involved in international relations;
- Disparity in wages in industry and service;
- Deindustrialization;
- International migration;
- Deterioration of the environment;
- Increasing of the share of pensioners in urban population;
- Possibility of urban and natural environment destroying in aggressive real property market policy;
- Destabilization of urban society as a result of growing importance of cultural and social capital crisis.

As factors determining urban development of Russia we may consider:

- Situation on world commodity markets, that determines a potential of the federal government to implement national programs for urban development;
- Unconditional increasing of importance of municipal economic regulation that directly determines a quality of urban business environment and cities competitiveness in global economy.

The most obvious tools to stimulate an economic growth of cities, enforceable at the municipal level, are:

- Support of changes that can be not only economic but also institutional or organizational by origin;
- Formation of unified information space serving any forms of inter-city exchanges;
- Joint usage and maintenance of expensive and unique infrastructure, rationalization of necessary infrastructure costs and existing system of health and social welfare in accordance with structure and real needs of local population;
- Sustaining and building of capital diversity;
- Mobilizing efforts to solve common environmental problems;
- Rejection of authoritarian management approaches in favor of cooperation and more flexible decision-making system based on the interests of different groups.

Taking in account trends of Russian economic system modernization, based on the presence of two dynamic factors for urban development (population mobility in its wider sense and quality of urban management systems and business environment) we proposed four possible scenarios for urban economic systems development: city in conditions of strong public authorities, city in terms of public- private partnership, city in extreme liberalization of business activities and developed city with a stable trend of democratic self-governance.

Probability of scenarios for urban development of Russia will depend on effectiveness of consolidation of municipal government, business and society in overcoming inertia and social development in the context of economic recession or low economic growth.

Development of Russia urban system by optimistic scenario requires a set of measures that were classified in this study into three groups:

Effective entry of largest Russian megacities into the global cities network requires an integration of corporate interests and interests of the urban community on materialistic basis (big benefits from the partnership); redistribution of internal (to the detriment of Russia finance' concentration in Moscow)

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and international (elimination of monopoly of Moscow as an international financial center in Russia) financial flows.

Important elements for Russian regional centers development are improvement of economic environment, increasing of budgeting efficiency, improving the work of housing and communal services, social and cultural costs optimization. Non-financial instruments for regional cities development includes improving the quality and accessibility of public services, improvement of the transport infrastructure, provision of land and real estate, creating a centers to support small and medium-sized businesses and favorable image of the city.

Strategic directions for development of small and medium-sized cities are enhancing of their role as centers of gravitating areas, including agricultural, recreational, timber; strengthening their role as structural centers in major metropolitan areas of cities; development of functions, based on existing potential of the city (especially skilled personnel).

The process of development of the Russian urban system is irreversible and logical - they will seek an own "ideal" model allowing the most effective further development to ensure cities progress and entering in the national production and distribution system.

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KEY TERMS AND DEFINITIONS

Agglomeration Economies: Are closely associated with economies of scale and the network effects mentioned above. It is important to understand that a positive outcome of agglomeration economies will only be achieved if the benefits outweigh the disadvantages. The ultimate end to agglomeration economies is the formation and growth of a city. The processes and factors contributing to the formation and growth of cities are considered here in the types of economies that are formed, their sources that are the contributing factor, network linkages, and the advantages and disadvantages that may or may not occur in the growth and formation of cities (Borowiecki, K. (2014) Agglomeration Economies).

Business Cluster: Is a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field. Clusters are considered to increase the productivity with which companies can compete, nationally and globally (Porter, M. E. (1998). Clusters and the new economics of competition, Harvard Business Review, Nov/Dec98, Vol. 76 Issue 6, p77).

City Manager: Is an official appointed as the administrative manager of a city, in a council-manager form of city government. Local officials serving in this position are sometimes referred to as the chief executive officer (CEO) or chief administrative officer (CAO) in some municipalities.[1] However, in a technical sense, the term "city manager," as opposed to CAO, implies more discretion and independent authority that is set forth in a charter or some other body of codified law, as opposed to duties being assigned on a varying basis by a single superior such as a mayor (Svara, J. & Kimberly, L. (2008, August). Taking Stock of the Council-Manager Form at 100. Public Management Magazine, pp 6-14).

Economies of Agglomeration: Is used in urban economics to describe the benefits that firms obtain by locating near each other ('agglomerating'). This concept relates to the idea of economies of scale and network effects. Simply put, as more firms in related fields of business cluster together, their costs of production may decline significantly (firms have competing multiple suppliers, greater specialization and division of labor result). Even when competing firms in the same sector cluster, there may be advantages because the cluster attracts more suppliers and customers than a single firm could achieve alone. Cities form and grow to exploit economies of agglomeration.

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Local Government: Is a form of public administration which in a majority of contexts, exists as the lowest tier of administration within a given state. The term is used to contrast with offices at state level, which are referred to as the central government, national government, or (where appropriate) federal government and also to supranational government which deals with governing institutions between states. Local governments generally act within powers delegated to them by legislation or directives of the higher level of government. In federal states, local government generally comprises the third (or sometimes fourth) tier of government, whereas in unitary states, local government usually occupies the second or third tier of government, often with greater powers than higher-level administrative divisions (City managing, a new profession. The Independent. Dec 14, 1914. Retrieved July 24, 2012).

Monotown: Is a city/town whose economy is dominated by a single industry or company. The term is especially often used in Russia, where the Soviet planned economy created hundreds of monotowns in supposedly rational locations, often in geographically inhospitable areas. The situation in many of Russia's monotowns is highly problematic: they are entirely dependent on the competitiveness of a single company or factory, very unflexible and based on Soviet-era economics and technologies (Darkness on the Edge of Monotown. The New York Times. 2009).

Research-Intensive Clusters (RICs): Are regions with a high density of research-oriented organizations. These regions may be informally designated, or may be represented by a formal association. Member organizations are often universities, businesses, and non-profit research institutes. Closely related concepts include research associations (in general), research parks, technology clusters, and economic clusters. RICs differ from generic research associations in that the member organizations must be geographically close to one another. RICs differ from research parks in that the member organizations are in separate locations within a geographical region, and are not sharing the same exact location. RICs differ from technology and economic clusters because they focus on more research rather than on economic development per se, though for-profit businesses may certainly be members of both types of groups (Phillip, R. (2000). Developing Cluster Policies in Seven European Regions. European Policies Research Center, University of Strathclyde).

ENDNOTES

1 Data of Rosstat (Russian Statistic Bureau) // http://www.gks.ru/bgd/regl.

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5 The Globalization Index // Foreign Policy. 2009. Nov./ Dec. P. 77.

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Chapter 55
Sustainable Rural Development in the Conditions of Trade Integration:
From Challenges to Opportunities

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ABSTRACT

The chapter aims at overview of the main approaches to agricultural policies in developed and developing countries and investigation of perspective ways to ensure sustainable rural development in the conditions of liberalization of trade in agricultural commodities and food. The issues of sustainable rural development and main influences of trade liberalization are considered in the light of food security, alternative income opportunities in rural areas, and support of local identities. When analyzing the economic potential of rural areas, the following indicators are studied: natural conditions; assets; general characteristics of labor resources. Some of the indicators, used to be considered as secondary for economic results of agricultural activity, are also considered: living conditions in rural areas; demographic situation; rural social, cultural and leisure infrastructure; access of rural people to modern services of communication, transport, education, medicine, consumer services and other benefits, accustomed for urban citizens.

INTRODUCTION

According to the United Nations Environment Program (UNEP), by the year 2025, 83% of the global population (about 8.5 billion people) will be living in developing countries. Vast changes are required in macroeconomic policy in developing as well as developed countries, to satisfy the demands of this growing population for food and other agricultural commodities, as well as to create conditions for sustainable rural development. Rural areas have to meet this challenge, by increasing production in a sustainable way, maintaining and improving the capacity of the higher potential agricultural lands.

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Interest in agricultural activities is rising worldwide. However, commodity price volatility, growing human and environmental pressures, and worries about food security threaten sustainability of agricultural production and rural development. In the contemporary conditions of liberalization of trade in agricultural commodities and food rural development is influenced by trade regimes, changing import tariffs, national agricultural policies, and state support of agricultural producers. Developed countries, primarily the USA and the EU, lay emphasis on implementation of a wide range of tools that affect competitiveness of domestic farmers and character of rural development directly and indirectly. Such policies support effective elimination of prices disparity and increase of farmers' incomes. Obviously, developing countries fail to ensure their sustainable rural development proportionally with the USA, the EU, and other developed states. Volumes of domestic support gained by farmers and rural people in developing countries are tenfold lower than in the developed states.

BACKGROUND

Globalization has created unprecedented growth in global markets. Various researches demonstrate clear links between globalization, trade liberalization, and economic growth. Andersen and Babula (2008) discovered positive relationship between international trade and economic growth. As of Manni and Ibne Afzal (2012), liberalization policy improves export of a country, which leads to the higher economic growth. Parikh and Stirbu (2004) also conclude, that trade liberalization may promote growth from a supply (export) side through a more efficient allocation of resources while it may constrain growth from a demand (import) side.

However, the effects of trade liberalization and integration are different for developed and developing economies. There are two major reasons why liberalization of foreign trade activities and integration are beneficial for developing countries (Krugman, 1990). First reason is a narrow domestic market, since the demand growth in developing countries is usually constrained by low per capita incomes. In such a situation, a liberalized trade regime allows domestic producers to increase exports and expand their outlet area. While the first reason deals with increasing export opportunities, the second one is related to market access. It is an increase in welfare derived from an improved allocation of domestic resources (Manni & Ibne Afzal, 2012, p. 38). Removal of import restrictions through trade liberalization encourages a shift of resources from production of import substitutes to production of export-oriented goods. This, in turn, generates growth as a country adjusts to a new allocation of resources more in keeping with its comparative advantage (McCulloch, Winters, & Cirera, 2001).

While some of the researchers conclude that developing countries and economies in transition could benefit from liberalization, others find the opposite. Open trade regimes force greater reliance on the international market, which is not always good for "weaker" and less competitive developing countries and economies in transition. Many developing countries currently rely on export-oriented production as a mean of generating foreign exchange earnings with which to purchase manufactured goods and food products (Gonzalez, 2004, p. 423). As of Erokhin, Ivolga, and Heijman (2014), developing countries are to a far greater degree concerned that the major part of benefits of trade liberalization goes to the developed states. Kneller, Morgan, and Kanchanahatakij (2008) agree that there is a positive but small impact of trade liberalization on growth.

Greenaway, Morgan, and Wright (2002) find that liberalization affects growth, albeit with a lag. Their study of trade liberalization and growth in developing countries shows that liberalization may af-

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fect favourably the growth of real GDP per capita. The effect, however, is relatively small and lagged. As developing economies and economies in transition become more open to international trade, factors other than liberalization itself affect economic growth (transportation and communication costs, technological change, etc.).

As of Dollar and Kraay (2001), only one third of the developing countries benefited from trade liberalization in terms of income growth and poverty reduction over the past two decades, while the remaining two-thirds did not experience any positive effects due to a number of internal problems and a lack of outward orientation. Many people in those countries still live in poverty, which arises from constraints that limit their ability to compete in national and international markets.

Poverty problems are important in developing countries, where income inequality is typically pronounced, and there are large vulnerable populations. Hasan, Quibria, and Kim (2003) argue, that policies that support economic freedom, integration and liberalization, are critical for poverty reduction. However, while Winters, McCulloch, and McKay (2004) suggest trade liberalization can be an important component of a "pro-poor" development strategy (p. 108), in many economies in transition there is still a strong movement against the integration into the global trade system, especially in the frameworks of the World Trade Organization (WTO) (Erokhin & Ivolga, 2012).

Most of the poor people in developing countries live in rural areas and make their living in agriculture. Agriculture employs almost three-quarters of the population in developing countries and accounts for about half of Gross Domestic Product (GDP) (Tutwiler & Straub, 2005). However, employment opportunities in rural areas are limited to agricultural production, which is likely to shrink as the domestic market gets open for foreign competition (Erokhin, Heijman, & Ivolga, 2014). Taylor (2002) defines two scenarios of trade liberalization for rural areas. The optimistic one is that "trade reforms open up new markets for goods or factors (labor) supplied by rural households" (Taylor, 2002, p. 4). The pessimistic scenario is that rural people suffer from negative impacts of liberalization on previously protected markets, and high transaction costs exclude many rural households from new market opportunities. According to Topalova (2007), rural districts where industries more exposed to trade liberalization are concentrated experience a slower progress in poverty reduction.

The effect of agricultural trade liberalization on rural development and poverty varies widely across developing countries and economies in transition. Net effect of liberalization on domestic food markets depends partly on the country's trade patterns, original level of protection and specifics of liberalization. Any changes in trade policies have to be carefully considered, especially with regard to the effects of trade integration and liberalization on rural communities and sustainability of rural development.

MAIN FOCUS OF THE CHAPTER

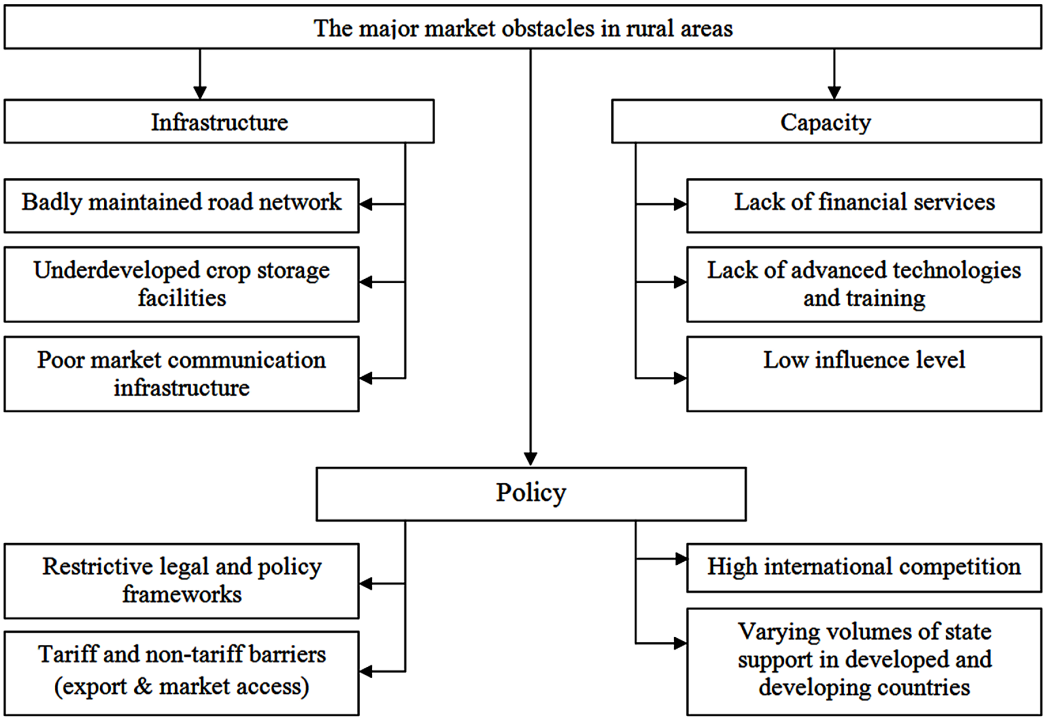
Food Market Access in Rural Areas

Enabling rural people to reach opportunities in markets beyond their communities and to improve the terms on which they interact with them is a powerful tool to reduce poverty and fuel economic growth. However, there are many market constraints, which rural people and agricultural producers in rural areas experience. The major ones are infrastructure, capacity, and policy (Figure 1).

Rural communities are usually badly linked with larger markets because of the underdeveloped road networks. The bigger the country, the more critical this obstacle is. Poor communication routes and

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Figure 1. The major market obstacles in rural areas
Source: Author's development



vast geographical distances increase transportation costs, what makes products more expensive and less competitive on the market. Because of the underdeveloped storage facilities, farmers are forced to sell their crops after harvesting, when market prices are the lowest. Underdeveloped physical infrastructure increases costs and harms competitiveness of agricultural and food producers in rural areas. Poor market communication infrastructure makes access to reliable information about current prices and market forecasts difficult.

Capacity constraints are significant as well. Farmers in rural areas lack the necessary financial services, especially credits, which would enable them to invest in the productivity of their businesses. They also lack advanced technologies (such as crop processing, fertilizers, etc.), effective trainings and extension support, what makes them less efficient and competitive on the market. As of Káposzta and Nagy (2008), "Agricultural development must not be realized only with improving the conditions of production, but also with improving the human resource of the farming society" (p. 213). Additionally, farmers are low influential when interacting with governmental bodies. They have to associate with other farmers in their rural communities or from other rural areas to protect common interests in a more effective manner.

As for the policy obstacles, they are related to tariff and non-tariff barriers on the market, which are applied to both domestically produced food and agricultural products and imported goods. Various combinations of tariff and non-tariff protective measures create unique national market regimes. Developed countries tend to be more protective and supportive to national farmers, while developing ones are usually weaker in terms of state support and level of tariff barriers. International trade in food and agricultural commodities is highly monopolized by transnational agribusiness companies, what places

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farmers from developing country at an enormous competitive disadvantage (Gonzalez, 2004). Billions of US dollars that developed countries (mostly the USA and the EU) give as subsidies to their domestic farmers increase surplus production and export, that in turn lowers global prices and reduces incomes of farmers and rural people in developing countries.

The key concern is enabling small and medium agricultural producers to respond to market obstacles in terms of cost and quality, so that they can function effectively in the conditions of liberalizing and integrating international food market and benefit from new opportunities. Trade liberalization does not automatically bring sales growth, because many other conditions, apart from a market entry itself, have to be met (product quality, adequate quantity of production, marketing campaigns, health and environmental issues, which are specific to each country).

It is evident, that small rural producers are particularly disadvantaged in these respects. In general, small and medium producers in rural areas are not as productive as big agricultural enterprises (Trukhachev, Ivolga, & Lescheva, 2015) and experience higher costs because of the economy of scale (Bokusheva, Hockmann, & Kumbhakar, 2012). In case of the economies in transition, where the size of domestic food market is limited by low effective demand, increased productivity may lead to reduced earnings in spite of increased sales. Growing supply decreases market prices for output, while unstable macroeconomic situation and inflation in most of the economies in transition increase cost of inputs (fuel, fertilizers, seeds, transportation and storage costs, etc.).

Macroeconomic reforms of the 1990s and food market transformations in the economies in transition have contributed to increased efficiency of agricultural production and greater transparency of domestic food markets. Nevertheless, in most of the economies in transition, as of Trukhachev et al. (2015) and Erokhin and Ivolga (2014), such reforms have left small agricultural producers in rural areas highly vulnerable to competition from larger enterprises and adverse market conditions. Liberalization of the 1990-2000s, in various degrees experienced by the economies in transition, intensified the links between domestic and international market conditions and increased exposure of the rural sector to fluctuations of the international agricultural and food markets. Every adverse change (falling prices on agricultural products, sanitarian restrictions, import bans, export quotations, etc.) have immediate effect on rural areas (reduced farm incomes, lower wages, and reduced employment in rural areas).

Trade Policies in Selected Economies in Transition: Implications for Rural Areas

Summarizing the discussion of various trade integration effects for rural areas, author concludes, that liberalization influences rural development in four major ways:

1. Pace of economic growth (discussed in Andersen & Babula, 2008; Greenaway et al., 2002; Kneller et al., 2008; Manni & Ibne Afzal, 2012; Parikh & Stirbu, 2004).
2. Food market access (discussed in Erokhin, Ivolga, & Heijman, 2014; Gonzalez, 2004; Krugman, 1990).
3. Employment in rural areas (discussed in Erokhin, Heijman, & Ivolga, 2014; Káposzta & Nagy, 2008; Tutwiler & Straub, 2005).
4. Poverty in rural areas (discussed in Dollar & Kraay, 2001; Hasan et al., 2003; Topalova, 2007; Winters et al., 2004).

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As it has been already stated, the effects are different for developed and developing countries. Kneller, Morgan and Kanchanahatakij (2008) believe a case-by-case approach to be more appropriate to the developing countries and economies in transition. They suggest that the "countries that were successful post-liberalization were those that were relatively successful pre-liberalization" (p. 716). In order to test their conclusion, the author studied cases of the five economies in transition of the Commonwealth of Independent States (CIS): Armenia, Kyrgyzstan, Moldova, Russia, and Ukraine. These countries are now the members of the WTO. The idea is to assess the pre-accession levels of the selected parameters and see if they have been changed by trade integration and liberalization (after accession to the WTO).

The following parameters are considered:

1. GDP by type of expenditure (agriculture, hunting, forestry, fishing). As most of the rural people in economies in transition make their living in agriculture (Tutwiler & Straub, 2005) and accompanying types of rural activities (hunting, fishing, etc.), the author considers this parameter as a distinctive characteristic of size of rural economy.
2. Agriculture value added per worker. It is a measure of agricultural productivity and effectiveness of rural labour. The parameter measures value added from forestry, hunting, and fishing as well as cultivation of crops and livestock production.
3. Import of food and agricultural products. Trade liberalization primarily means reduction of import barriers. Domestic production of basic agricultural commodities and food in many economies in transition fails to meet demand. Most of the economies in transition rely on agricultural imports, opening their domestic markets and leaving local agricultural producers vulnerable to global price fluctuations. Growing import competition presses small and medium rural households out of the domestic market, what aggravates existing problems of rural poverty, unemployment, outflow migration, and threats national food security.
4. Rural population, percentage of total. The indicator refers to people living in rural areas as defined by national statistical offices. It shows the "importance" of rural areas and rural way of life for the entire economy.
5. Agriculture labour force, percentage of the total labour force. Agriculture labour force refers to people aged 15 and older who are engaged in or seeking work in agriculture, hunting, fishing, and forestry.
6. Poverty level is the percentage of the population living on less than $5 a day.
7. Gini index. As Hasan, Quibria, and Kim (2003) emphasize income inequality as one of the restrictions to effective development of economies in transition, the author considers Gini Index, which measures the extent to which the distribution of income or consumption expenditure among individuals or households within a rural economy deviates from a perfectly equal distribution.

The above-explained parameters are presented for the period from 1995 until 2014; the year of the accession to the WTO for each country is highlighted. Table 1 includes parameters of agricultural production, trade in food and rural development for Armenia.

Armenia accessed the WTO in 2003, what makes the country a perfect model of an economy in transition, which experienced both pre-accession challenges and post-accession effects. The essential rise of GDP is observed after 2003 – by 73% during the post-accession decade (in comparison: 34% during the pre-accession decade). Agriculture value added per worker increased twofold, which means

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Table 1. Agricultural production, trade in food, and parameters of rural development in Armenia in 1995-2014

	1995	1997	1999	2001	2003 (Accession to the WTO)	2005	2007	2009	2011	2012	2013	2014
1. Pace of Economic Growth												
GDP by type of expenditure (agriculture, hunting, forestry, fishing), $ billion*	0.55	0.54	0.62	0.68	0.74	0.94	1.04	1.14	1.09	1.19	1.28	n.a.
Agriculture value added per worker, $ thousand*	2.68	2.84	3.44	3.99	4.45	5.88	6.69	7.54	7.47	8.29	9.08	10.01
2. Market Access												
Import of food and agricultural products, $ billion*	0.22	0.27	0.19	0.20	0.20	0.28	0.64	0.59	0.84	0.89	0.89	0.87
3. Employment in Rural Areas												
Rural population, percentage of total, %	33.9	34.5	35.1	35.6	35.7	35.8	35.9	36.2	36.6	36.8	37.0	37.2
Agricultural labour force, percentage of the total labour force, %	13.7	12.8	12.1	11.5	11.4	11.2	11.2	10.8	10.3	10.0	9.7	9.4
4. Poverty in Rural Areas												
Poverty level	82.79	92.19	n.a.	91.83	92.88	84.42	83.35	80.60	84.46	n.a.	n.a.	n.a.
Gini Index	44.42	n.a.	n.a.	35.36	33.03	35.80	29.83	29.58	31.07	n.a.	n.a.	n.a.

Source: Author's development based on the United Nations Conference on Trade and Development (2015); KNOEMA (2015)
* Data are in constant USD (2005)

that agricultural sector in Armenia moves towards production of high value added goods. Import of food and agricultural products, rather stable during 1995-2003, increased fourfold during the post-accession decade of 2003-2014.

However, regional disparities within Armenia increased along with the country's economic growth, which was largely driven by the rapid development of urban areas and degradation of rural regions. Although Armenia experienced a decline in its national poverty rate from 92.9% in 2003 to 84.5% in 2011, the poverty rate remains extremely high. Most of the people in rural areas still live under the poverty level. Low rural living standards serve as a "push" factor responsible for rural outmigration (both to Yerevan and abroad), particularly for young generations.

Along with the WTO, Armenia is going to entry to the Eurasian Economic Union, what requires essential adjustments of national rural development policies. The main goal is sustaining and improving competitiveness of agricultural sector in Armenia in the light of the customs union membership (Urutyan, Yeritsyan, & Mnatsakanyan, 2015, p. 57). Armenia is a mountainous country; most of its rural settlements in mountainous areas specialize in livestock breeding. In terms of trade liberalization, meat and dairy sectors have always been among the most suffered, even in the developed countries. That is why the policy has to be directed towards improved competitiveness of meat and dairy sectors of Armenia's economy, increased levels of production that will result in replacement of imports by locally produced goods and ensure incomes of rural people.

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Another CIS country, Kyrgyzstan, experiences the similar challenges in the sector of rural development. Livestock remains a major economic driver for many mountainous rural communities of this country. Among the CIS countries, Kyrgyzstan has the longest history of the WTO membership. Nevertheless, trade integration has not had an essential impact on the effectiveness of agricultural production and sustainability of rural development in Kyrgyzstan. Decennial GDP growth rates before and after WTO accession are rather similar (about 30%) (Table 2).

Until now, the only effect of trade integration and liberalization for Kyrgyzstan has been in increasing import supplies of food and agricultural products. There was a rapid rise in imports after 1999 – almost tenfold during the period of 1999-2014. Although the poverty rate has stabilized and decreased in recent years, the country is one of the poorest in the world. Rural population includes three quarters of the country's poor – 1.8 million people.

Poor rural people were particularly vulnerable to the effects of the economic transition from a command economy to a free market economy. As of the International Fund for Agricultural Development (2015), the transition severely disrupted agriculture and increased rural poverty in Kyrgyzstan. In rural development, Kyrgyzstan needs to enhance the productivity of domestic agriculture and improve animal health as a way of increasing rural incomes. Rural activities have to be diversified and re-oriented from local rural communities and internal consumption towards the market. In order to benefit from trade

Table 2. Agricultural production, trade in food, and parameters of rural development in Kyrgyzstan in 1995-2014

	1995	1997	1999 (Accession to the WTO)	2001	2003	2005	2007	2009	2011	2012	2013	2014
1. Pace of Economic Growth												
GDP by type of expenditure (agriculture, hunting, forestry, fishing), $ billion*	0.42	0.54	0.60	0.66	0.70	0.70	0.72	0.78	0.77	0.78	0.81	n.a.
Agriculture value added per worker, $ thousand*	0.77	0.99	1.10	1.23	1.34	1.36	1.24	1.34	1.34	1.37	1.42	1.42
2. Market Access												
Import of food and agricultural products, $ billion*	0.09	0.10	0.08	0.06	0.09	0.17	0.37	0.50	0.71	0.78	0.84	0.83
3. Employment in Rural Areas												
Rural population, percentage of total, %	63.7	64.2	64.7	64.7	64.7	64.7	64.7	64.7	64.7	64.6	64.5	64.4
Agricultural labour force, percentage of the total labour force, %	28.9	27.7	26.6	25.5	24.4	22.9	21.9	21.0	20.2	19.8	19.3	19.0
4. Poverty in Rural Areas												
Poverty level	n.a.	94.35	n.a.	97.77	97.08	87.46	84.70	74.08	76.21	n.a.	n.a.	n.a.
Gini Index	n.a.	35.98	n.a.	30.01	28.72	38.32	33.43	35.79	35.41	n.a.	n.a.	n.a.

Source: Author's development based on the United Nations Conference on Trade and Development (2015); KNOEMA (2015)

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integration, rural policies have to consider improvement of farming practices, expansion of access to agricultural inputs, and rehabilitation of rural infrastructure.

Contrary to Kyrgyzstan, Moldova performed rather well after its accession to the WTO in 2001. Although GDP has remained stable, agriculture value added per worker increased twofold during the period of 2001-2014 (Table 3).

Although the poverty rate has halved since 2001, it remains high (48.9 in 2012). Household income from agricultural activities has been decreasing over the years, down to 19.1% in 2010, from 28.4% in 2007 (Food and Agriculture Organization of the United Nations, 2012a). Poverty remains one of the main issues for the social and political sustainability of rural areas in Moldova.

Moldova's top priority on its way to trade integration was not rural development, but market access. The goal has been definitely achieved in imports: food and agricultural imports, driven by processed products, grew sixfold, resulting in a deterioration of the overall trade balance. Moldova's domestic food market has a significant potential. Although import substitution is not a goal for Moldova, development of domestic market would provide local producers with better opportunities. Moldova's food market is too narrow for major producers (primarily, wine and fruit producers), that is why the country

Table 3. Agricultural production, trade in food, and parameters of rural development in Moldova in 1995-2014

	1995	1997	1999	2001 (Accession to the WTO)	2003	2005	2007	2009	2011	2012	2013	2014
1. Pace of Economic Growth												
GDP by type of expenditure (agriculture, hunting, forestry, fishing), $ billion*	0.44	0.43	0.39	0.43	0.40	0.49	0.31	0.39	0.45	0.36	0.50	n.a.
Agriculture value added per worker, $ thousand*	0.67	0.75	0.77	0.95	1.04	1.83	1.01	1.55	1.80	1.51	2.33	2.64
2. Market Access												
Import of food and agricultural products, $ billion*	87.4	165.0	52.9	123.8	201.0	289.9	487.4	487.2	750.8	813.2	841.8	716.8
3. Employment in Rural Areas												
Rural population, percentage of total, %	53.7	53.9	54.1	54.3	54.5	54.7	54.9	55.1	55.1	55.1	55.1	55.1
Agricultural labour force, percentage of the total labour force, %	26.5	24.2	22.1	20.0	18.5	18.0	17.0	16.5	15.5	14.6	13.8	13.1
4. Poverty in Rural Areas												
Poverty level	n.a.	86.79	93.28	92.20	80.65	86.30	49.59	50.47	48.95	n.a.	n.a.	n.a.
Gini Index	n.a.	36.90	42.16	37.92	34.69	36.28	34.42	32.91	32.05	n.a.	n.a.	n.a.

Source: Author's development based on the United Nations Conference on Trade and Development (2015); KNOEMA (2015)
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vitally needs to expand access to foreign markets. For this reason, Moldova joined the WTO in 2001. The country is currently negotiating the framework of a deep and comprehensive free trade agreement with the EU (DCFTA).

As of Gazuda (2013), trade integration processes, particularly integration of the economies in transition to the EU, require a new model of rural development, adapted to international standards. EU integration is a goal for such countries as Moldova and, most recently, Ukraine, but also a tool for development. The EU is Moldova's and Ukraine's main commercial partner and accounts for over 30% of their external trade. National governments of both countries consider closer economic integration through the DCFTA as a powerful stimulant to economic growth. According to Taras Kachka, former acting President of the American Chamber of Commerce in Ukraine, "DCFTA would help Ukraine by boosting competitiveness nationally and abroad; the adoption of EU standards will also help, due to gradual globalization of production standards" (Khomei, 2015, para. 2).

Ukraine joined the WTO in 2008, seven years after Moldova. Certain positive developments are observed: rise of GDP by 14%, agriculture value added per worker by 48% during 2008-2013, decrease of poverty level and Gini Index (Table 4). Noteworthy is that import of food and agricultural products after 2008 increased insignificantly (by 27%) in comparison to the pre-accession period (threefold increase during 2003-2008; twofold increase during 1999-2003). Trade integration itself has not caused essential rise of import inflows.

Ukraine has always been a net exporter of food and agricultural products. The leading export oriented crops are wheat, sunflower seeds, and rape. FAO's assessment in 2012 (before political and economic conflicts in Ukraine emerged) indicated that Ukraine as a food producer would be a critical player with the capacity to significantly ameliorate the global food crisis (Food and Agriculture Organization of the United Nations, 2012b). The Food and Agriculture Organization of the United Nations (2012b) also forecasted that development of agricultural sector in Ukraine could help to further reduce imports and increase rural incomes. Agricultural sector and food industry have served as the pillars of stability, as the only economic sectors, which continued to grow during the global economic crisis. Agriculture is likely to continue to lead Ukraine's economic recovery during turbulent years of political and economic transformation after 2014.

Yet, as of Khomei (2015), Ukrainian agriculture is constrained by a number of factors, including limited land availability; old infrastructure; insufficient financing; ineffective government development policies; low quality of production; complicated customs regulations, and weak control systems. To take advantage of the WTO membership and European integration, the Ukrainian government still needs to undertake significant institutional reforms to implement the WTO regulatory rules and experiences of the EU countries in ways that facilitate integration of domestic rural sector into the global market and provide benefits to rural people. Ukraine should work on the long-term rural development policy, which will give good possibilities to improve socio-economic situation in rural districts, to increase standard of living of rural people, and to enhance competitiveness of the rural economy (Moroz, 2010).

Currently, Ukraine's Ministry of Agrarian Policy and Food is working on a project titled "Comprehensive Strategy for the Development of Agriculture and Rural Lands for 2015-2020". The project seeks to boost the competitiveness of Ukrainian agriculture while sustaining ongoing development in rural areas through the adoption of European and international standards (Khomei, 2015). Domestic agricultural producers should be able to enter new markets, to become competitive in the EU market and be attractive to European consumers.

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Table 4. Agricultural production, trade in food, and parameters of rural development in Ukraine in 1995-2014

	1995	1997	1999	2001	2003	2005	2008 (Accession to the WTO)	2009	2011	2012	2013	2014
1. Pace of Economic Growth												
GDP by type of expenditure (agriculture, hunting, forestry, fishing), $ billion*	7.75	6.92	5.90	7.28	6.60	7.92	8.83	8.65	10.37	9.95	10.08	n.a.
Agriculture value added per worker, $ thousand*	1.78	1.66	1.71	2.23	2.20	2.79	3.47	3.51	4.42	4.38	5.15	5.50
2. Market Access												
Import of food and agricultural products, $ billion*	1.26	0.87	0.88	1.10	2.13	2.60	6.23	4.78	6.11	7.23	7.91	5.85
3. Employment in Rural Areas												
Rural population, percentage of total, %	33.0	33.0	32.9	32.8	32.6	32.2	31.7	31.5	31.1	30.9	30.7	30.5
Agricultural labour force, percentage of the total labour force, %	17.3	16.9	14.4	14.0	13.1	12.3	11.3	10.9	10.3	10.0	9.7	9.3
4. Poverty in Rural Areas												
Poverty level	48.01	56.17	76.79	46.42	36.82	18.52	8.06	10.32	6.00	n.a.	n.a.	n.a.
Gini Index	39.29	35.12	28.96	n.a.	28.66	29.02	26.64	26.44	24.82	n.a.	n.a.	n.a.

Source: Author's development based on the United Nations Conference on Trade and Development (2015); KNOEMA (2015)
* Data are in constant USD (2005)

As of Josling (2011), agricultural trade policy instruments should never be used solely to promote national interests but must also take account of regional partners and agreements. To an increasing extent, governments are recognizing the potentials that regional integration holds for rural development and food security (Pannhausen & Untied, 2010). Regional integration creates larger sales markets and facilitates establishment of value chains within regions. Fluctuations in production volumes and export earnings are lower in regional markets than in national markets (Hoffken & Dill, 2013).

A supportive macroeconomic environment both at the national and international levels is a necessary condition for the development of the rural sector. However, the contemporary situation on the international agricultural market drives volatility and brings additional threats to sustainability of agricultural production and rural development in general (Trukhachev et al., 2015). Market reforms and structural policies in the economies in transition, which are expected to increase efficiency of agricultural producers, often fail.

According to Vos (2007), "The purpose of trade reform is to switch production away from non-tradables and inefficient import substitutes toward exportables in which countries have a comparative advantage" (p. 5). However, most of the economies in transition strongly protect their domestic food

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markets and encourage import substitution, even in contrast to the theory of comparative advantage. The most striking instance of such an import substitution trend is Russia, which in 2014 banned imports of a variety of food and agricultural products from the EU, the USA, and several other Western countries.

Russia accessed the WTO in 2012, shortly before a chain of unfavorable events: deceleration of economic growth, falling oil prices, Russia-Ukraine crisis, Western sanctions in retaliation of the Crimea's situation, and depreciating national currency. Therefore, it is rather challenging to assess a pure effect of trade integration on domestic agricultural production, food market, and rural development. Significant changes are observed neither in GDP nor in agriculture value added (Table 5).

Current macroeconomic processes with involvement of Russia require new approaches to rural areas in order to ensure their economic, social and environmental sustainability. Russia's rural areas lag behind urban ones in terms of living standards and quality of life. Gaps in infrastructural development between rural and urban areas are continuing to grow. Number of rural settlements decreases because of huge migration outflow from rural areas to cities. Migration brings together related negatives: ageing of population in rural areas, lack of labour of high qualification, degradation of population, growing social tensions, abandonment of rural settlements and agricultural lands, lowering effectiveness of agricultural production, and growing environmental load because of outdated machineries and low culture of farming. In such conditions, rural areas in general and agricultural sector in particular are not able to drive economic growth, ensure import substitution and food security of Russia.

Table 5. Agricultural production, trade in food, and parameters of rural development in Russia in 1995-2014

	1995	1997	1999	2001	2003	2005	2007	2009	2011	2012 (WTO Accession)	2013	2014
1. Pace of Economic Growth												
GDP by type of expenditure (agriculture, hunting, forestry, fishing), $ billion*	27.94	26.95	25.61	31.87	32.30	32.52	33.82	36.37	36.52	35.23	36.31	n.a.
Agriculture value added per worker, $ thousand*	3.15	3.25	3.27	4.25	4.49	4.73	5.05	5.66	5.99	5.93	5.97	n.a.
2. Market Access												
Import of food and agricultural products, $ billion*	12.5	17.2	9.9	10.5	13.5	19.3	24.1	28.0	40.8	38.6	40.8	37.0
3. Employment in Rural Areas												
Rural population, percentage of total, %	26.6	26.6	26.6	26.7	26.6	26.5	26.4	26.4	26.3	26.2	26.1	26.1
Agricultural labour force, percentage of the total labour force, %	12.3	11.9	10.6	10.4	9.9	9.3	8.8	8.4	8.0	7.8	7.6	7.4
4. Poverty in Rural Areas												
Poverty level	36.57	36.19	51.63	41.46	28.49	20.77	11.83	10.67	n.a.	n.a.	n.a.	n.a.
Gini Index	46.11	n.a.	37.44	39.60	38.28	38.30	39.27	39.69	n.a.	n.a.	n.a.	n.a.

Source: Author's development based on the United Nations Conference on Trade and Development (2015); KNOEMA (2015)

* Data are in constant 2005 U.S. dollars

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SOLUTIONS AND RECOMMENDATIONS

Ensurance of sustainable rural development in the contemporary conditions of growing globalization and liberalization of food markets is only possible on a basis of exploitation the opportunities that agricultural trade and advancing market integration offer. In order to benefit from those opportunities, it is essential to enable frameworks in place and a strategic orientation of agricultural and trade policies at national, regional and international level. An appropriate agricultural trade policy is a prerequisite for the promotion of agricultural production and trade, and can achieve leveraging effects for rural development and food security (Hoffken & Dill, 2013, p. 66).

Author studied cases of the five economies in transition, and discovered different effects of trade integration for rural development. Consequently, there are differences in emphasis regarding the objectives that can be influenced by agricultural trade policy instruments. Governments may rely on promotion of import substitution (Russia), export-oriented growth (Ukraine and Moldova), competitive production of high value added goods (Armenia), or saturation of domestic food market (Kyrgyzstan). Agricultural policies can reduce domestic price fluctuations and protect particularly vulnerable population groups in rural areas.

Analysis shows, that role of agriculture in terms of incomes and employment of rural population in the economies in transition is declining. In order to ensure sustainable rural development, it is necessary to promote diversification of the rural economy. Development of off-farm employment opportunities, including rural tourism, has to be supported by various governmental and international programs (Káposzta, Nagy, & Nagy, 2014). Integration of efforts and internationalization of technical and financial assistance to the rural sector are urgently required, especially since many economies in transition are increasingly unable to provide these services owing to budgetary, institutional and technical constraints.

Taking into account different objectives of the economies in transition in the sphere of agricultural and rural development, effects of certain agricultural trade policy instruments have to be carefully studied. Impacts from the instruments in different economic and market environments become apparent at different rates, with some having a direct effect on rural people and agricultural producers and others only becoming noticeable in the long term (Hoffken & Dill, 2013, p. 67). Agricultural trade policy interventions therefore have to be carefully analyzed and designed on a case-by-case basis.

FUTURE RESEARCH DIRECTIONS

Integration and liberalization processes influence trade in food and agricultural commodities in various ways. Consequently, targeted analysis, consideration and eventually influencing of trade integration on rural development are crucial accompanying measures for the successful promotion of sustainable agricultural value chains. Current study included a limited number of parameters of agricultural trade, production and rural development. In order to provide a complex assessment of influences of trade on rural development by means of market access, price or quantity regulations, state support measures, etc., a wider range of parameters have to be addressed (tariffs, quotas, taxes, volumes of support).

Another research direction is an examination of the optimum relationship between production and trade. Results of such a research, conducted on a case of each of the economies in transition, can help to

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substantiate a need for either deeper integration to interregional and international markets, or protection or support of domestic food market. Analysis has to be conducted for each subsector or each agricultural commodity to determine positive and negative effects.

CONCLUSION

Economies in transition face many challenges as a result of trade liberalization that globalization and increased international integration bring. Some of the challenges are similar to those of the developed countries, while many of them are specific ones.

Since the very beginning of market reforms in the early 1990s, economic growth in the economies in transition has been closely correlated with export performance. Abundance of natural resources, including agricultural land, became a source of steady income in the new market environment, while output of high-value products reduced severely.

Heavily agricultural economies tend to grow less rapidly than more industrialized and more service-oriented ones. Market liberalization decreased substantially or eliminated subsidies, which agricultural sector received under the planned economy system. Higher relative market prices for inputs generated a severe drop in profitability of agricultural producers, which in turn reduced production and employment in agricultural sector.

The specific of the economies in transition is that most of the poor people live in rural areas. International trade has been one of the key driving forces behind much of the poverty reduction that has occurred over the years of transition in Russia, Ukraine, and Moldova. In Armenia, Moldova, and Ukraine integration to the global trade system (WTO accession) has caused increase of productivity in agricultural sector.

International trade enables efficient allocation of scarce resources through competition and realization of comparative advantages. Liberalization of international trade in food and agricultural commodities therefore promotes growth and generates income in agricultural sector and, respectively, in rural areas. Further, such a marked-oriented rural economy provides incentives for productivity and output increase, competitive production and value-added processing. Therefore, one of the outcomes of trade integration is a national food security – both in terms of larger domestic output of qualitative food products and greater availability of food owing to increasing purchasing power. Moreover, liberalized agricultural trade can mitigate the negative repercussions of national and regional production fluctuations by acting as a distribution instrument between areas of surplus and deficit.

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KEY TERMS AND DEFINITIONS

Agricultural Production: An animal breeding and plant production by means of natural forces.

Rural Area: A geographic area of a country, that is located outside urban areas.

Rural Poverty: Poverty in rural areas, including factors of agricultural production, rural society, and rural economy.

Sustainable Development: A model of social development, which implementation satisfies all major vital requirements of current and every other generation under preservation of natural and environmental diversity.

Trade Integration: A unification of economic and trade policies between a group of countries through the reduction and/or abolition of tariff and non-tariff restrictions on trade.

Trade Liberalization: An elimination of tariff and nontariff barriers to the flow of agricultural commodities and food products between groups of countries.

Transition: A process of state transition, when radical transformation of entire social and economic systems occurs (transformation of property relations, social and economic institutes, management tools, and targets of economic development).

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Chapter 56
Effective Urban Infrastructure Governance in Africa:
Resolving the Wealth–Poverty Paradox

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ABSTRACT

The main thrust of this chapter is to examine effective urban infrastructure governance in Africa: resolving the wealth-poverty paradox. The chapter is organized into five main sections according to the identified objectives with the introduction: infrastructure deficit and poverty nexus in urban Africa as section one. Section two is the background emphasizing Africa's poverty in wealth paradox. Section three focuses on urban revolution in Africa which is characterized by growing poverty instead of wealth and its implication for resolving infrastructure deficit. The nature of urban infrastructure demand and supply in Africa is the emphasis in section four while section five underlines the strategy for future infrastructure governance in Africa. Effective urban infrastructure governance in Africa is particularly challenging the strategies for dealing with the wealth-poverty nexus.

INTRODUCTION: INFRASTRUCTURE DEFICIT AND POVERTY NEXUS IN URBAN AFRICA

The world's population and economic opportunities are increasingly shifting to the cities. The number of city dwellers in developing countries is projected to continue to rise compared to their counterparts in developed countries (UN-Habitat, 2014, Cohen, 2006). Meanwhile, Africa's 2014 population with an average growth rate of two per cent was estimated at 1.069 billion, about 15 percent of world popu-

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lation, extends over 30 million square kilometers (The World Bank, 2014). By 2030 more than half of this number will be living in urban centers. How is this urban population happening and what is the implications for urban infrastructure governance? Urban policies and programs in many developing countries have decentralized service delivery and income generation to lower tiers of governments. With the characteristic low capacities of governments to administer urban policies and programs, there is overwhelming gap between needs and delivery of basic infrastructure and services (Cohen, 2006; Elias and Ademola, 2015).

Another dimension to this is the hierarchical fragmentation of urban settlements creating incredible disparities in the functions, economic opportunities and choices, infrastructure and basic services, historic origins and patterns of growth and intensities of formal planning (Cohen, 2006). The obvious disparities between the more affluent and the relatively lower neighborhoods manifests in levels of access to basic services. In developing countries, the failure of the municipal authorities responsible for these critical sectors implies that many low income urban dwellers rely on other sources such as private vendors for basic services (Gandy, 2006). This poor urban governance is also an indication of the failure to effectively and efficiently implement master plans meant to guide infrastructure development and delivery of basic services. Thus, devising development policies is a daunting problem facing urban governance and planning in developing countries (Cohen, 2006).

Urban infrastructures are the necessary foundation for an economy. All industrial, agricultural and economic activities depend on infrastructures to develop (Knox and McCarthy, 2005). Urban infrastructures influence economic efficiency and productivity, public health and safety and prosperity and well-being of the society. According to Saxena (2001), urban infrastructures basically consists of the physical framework of facilities, utilities and support system which form the base for the provision of essential public goods and services. Urban infrastructures are many and diverse including power, education, housing, health, transport, communication, water, waste disposal and recreation. Generally, they provide the measures or indicators for assessing and comparing levels of prosperity and poverty within and between nations. The availability of urban infrastructures create opportunity and choices, generate income and wealth. On the other hand, infrastructure deficit limit opportunities and choices, create poverty and inequality and hold society back from development.

The main thrust of this chapter therefore is to examine effective urban infrastructure governance in Africa towards resolving the wealth-poverty paradox. The chapter is organized into five main sections. This section is the introduction and deals with infrastructure deficit and poverty nexus in urban Africa. The background of this chapter is in section two which emphasizes Africa's poverty in wealth paradox. Section three examines urban revolution in Africa which is characterized by growing poverty instead of wealth and its implication for resolving the infrastructure deficit. In section four, the nature of urban infrastructure demand and supply in Africa is analyzed while section five underlines the strategy for future infrastructure governance in Africa.

BACKGROUND: AFRICA'S POVERTY IN WEALTH PARADOX

Recent urban studies have attempted to explain the relationship between urbanization and urban growth with different characteristics and implications in the context of urban infrastructure governance (Potts, 2012; Muggah, 2012; Fox, 2011). These studies also enumerate some of the conditions that are limiting Africa's capacity for effective urban infrastructure governance. The works by Barrios, Bertinelli, & Strobl

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(2006) and Annez, Buckley & Kalarickal (2010) linked African urbanization to geographical factors including location, low agricultural productivity and climate variability. According to their submission, it is not just the attractiveness of the cities that encourage migration but also the unfavorable conditions in the countryside for agriculture-related livelihoods. The abundance of natural resources does not only limit Africa to primary activities but also confines the continent to low investments, poor income and increasing poverty. Further, policy distortions in favor of city-based investment also account for the injustice and poverty in Africa despite the huge natural resources. These policies keep rural dwellers poor and make cities unduly attractive. Cohen (2006) listed some factors which make both the pull to the cities and the push away from the countryside irresistible. First, cities especially, the capital cities, where modern productive activities are concentrated offer vast opportunities and choices for social and economic development. Second, they have the highest indicators of health and well-being, social and cultural development. Finally, the high population densities which imply low per capita in cities encourage the provision of infrastructure and basic services.

The factors which influence the process and pattern of urbanizing Africa include demographic change, weak urban policies and institutions which together promote increasing densities, sprawling and large urban agglomerations (Elias and Omojola, 2015; Lwasa 2014). Similarly, Cohen (2006) in the context of developing countries, identified drivers of urbanization to include rural-urban transformations and reclassification of rural villages into small urban settlements. Likewise, globalization with its associated advances in transportation and telecommunication and a positive political climate has also caused unprecedented levels of urbanization, urban agglomerations and economic growth. Unfortunately, the economies of scale is leading to lopsided prosperity in an unjust world. This underlies the economic explanation for the pattern of urbanization as most of the world's largest businesses are found in cities (Cohen, 2006). African urbanization have also been triggered by uninsurable expected risks from agricultural losses (Poelhekke, 2011). In a related submission, Brückner (2012) indicated that a decrease in the share of agricultural value added during 1960–2007 leads to a significant increase in urbanization for a group of 41 African countries. Unfortunately, the concern is that urbanization which enhances poverty reduction in other regions has failed to produce similar results in the case of Africa (Arouri, Youssef, Nguyen-Viet and Soucat, 2014).

Presently, there are both high level optimism and pessimism about urbanization scales, trends, features and drivers in the region (Potts, 2012). According to the optimist, urbanization could benefit from economies of scale, accelerate provision of infrastructure and growth of industries, industries could benefit from concentration of suppliers and consumers with big and diverse labor market which ultimately create centers of innovation, commerce, and administration. According to Abbot (1996), the four facets (i.e. legitimacy, affordability, institutional capacity and use convenience) of urban infrastructure either as a technical or social service are under serious pressure in Africa. Many municipal governments in Africa faces the challenge of lacking the political will, fiscal resources and professional capacity to provide the rapidly growing urban populations with urban infrastructures and services (Elias et al, 2014).

The definitional and operational controversies associated with urban infrastructure governance have continued to attract tremendous concern (Gandy, 2006, Lockwood, 2005). Generally, effective urban governance is perceived as the solution to the massive failure of infrastructure and basic services. In a truly just and egalitarian society, effective urban governance will ensure social inclusiveness and cohesion as well as economic development and shared wealth (Abiodun, 1997, Olukoju, 2003, Rakodi, 2002). Indeed, Gandy (2006) observed that the general poor condition of human settlements are not just a crisis of legitimacy for urban governance in general but also engenders a fragmentary, refracted and truncated

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political discourse. This may lead to the emergence of a self-service city where both the rich and poor neighborhoods attempt to provide their basic services.

No doubt, the connection among urban infrastructure, wealth and poverty is revealing. For rapidly urbanizing Africa, the challenge associated with the pace and scale is creating a burden for cities. These limit the capacity of the cities to provide public goods and services, impede the creation of wealth, and escalate poverty growth. Analysis of global poverty suggest that urbanization in Africa has failed to promote poverty reduction (Ravallion, Chen and Sangraula, 2007, White, Mberu, and Collinson, 2008). Mohamed, Youssef, Nguyen-Viet and Soucat (2014) suggest that sub-Saharan African countries have the highest levels of urban poverty in the world. For instance, 43% of urban dwellers in Africa live below the poverty line despite African cities generating about 55–60% of the continent's GDP. A closer look at the urban revolution will give more insights into the rapidly urbanizing Africa amidst growing poverty and the implication for infrastructure deficit.

URBAN REVOLUTION IN AFRICA: WEALTH-POVERTY PARADOX AND ITS IMPLICATIONS FOR RESOLVING INFRASTRUCTURE DEFICIT

There are tremendous differences in the level and pattern of urbanization with major urban revolutions occurring in developing countries especially in Africa and Asia. Table 1 shows urban populations, proportion urban and average annual rate of change by regions as reported by United Nations World Urbanization Prospects (2014). The figures show that the average annual rate of change for Africa (1.1%) and Asia (1.9%) have been generally higher accounting for the large absolute urban populations and rising proportion of people living in urban areas compared to very low average annual rate of change in Europe (0.3%), Latin America & the Caribbean (0.3%), Northern America (0.2%) and Oceania (0.0%) accounting for steady urban populations and proportion of urban dwellers. It is observed that rapid urban population growth is due to the fact that urbanization in Africa and Asia is recent and on-going while it has reached the stage of stability in the other regions.

Table 1. Urban Populations, proportion of urban and average annual rate of change by regions (000's)

Region	Urban Populations (000's)			Proportion Urban (%)			Average Annual Rate of Change
	1990	2014	2050	1990	2014	2050	2010-2015
World	2,285,031	3,880,128	6338611	43	54	66	0.9
Africa	196,923	455,345	1,338,566	31	40	56	1.1
Asia	1,036,247	2,064,211	3,313,424	32	48	64	1.5
Europe	505,991	545,382	581,113	70	73	82	0.3
Latin America & the Caribbean	313,876	495,857	673,631	71	80	86	0.3
Northern America	212,935	291,860	390,070	75	81	87	0.2
Oceania	19,059	27,473	41,807	71	71	74	0.0

(Data Source: World population prospects 2014)

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Table 2 shows the population size and ranking of urban agglomerations with more than five million inhabitants as of 1 July 2014 according to World Urbanization Prospects. There are marked differences within and between regions in terms of absolute populations, rankings and average annual rate of change. Generally, there is rapid and sustained urban growth in Africa and Asia with high average annual rate of change between 2.1- 4.2 and 0.6-4.6 respectively compared to Europe and Northern America with consistently slow pace of urbanization since the 1990s and very low average annual rate of change between 0.7-1.4 and 0.2-1.7 respectively. The global ranking of large urban agglomerations shows a steady rise of African and Asian cities compared to a drop in the ranking of cities of Europe and Northern America. Giving these urban agglomeration scenarios, the hope of African cities overturning urban infrastructure deficit and poverty is still daunting with resources presently stretched to unbearable limits.

Table 3 compares urbanization indicators in two selected countries for each of the six sub-regions of Africa. These countries have been selected based on expediency of data collection including availability/accessibility of data, historical antecedents of the sub-regions in the continent and their role in

Table 2. Population size and ranking of urban agglomerations by regions (Data Source: World population prospects 2014)

Region	Urban Agglomerations	Population (000's)			Rankings			Average Annual Rate of Change
		1990	2014	2030	1990	2014	2030	2010-2015
Africa	Cairo	9892	18419	24502	11	10	8	2.1
	Lagos	4764	12614	24239	33	19	9	3.9
	Kinshasa	3683	11116	19996	50	23	12	4.2
	Johannesburg	3709	9176	11573	48	35	34	3.2
	Luanda	1390	5207	10429	175	68	39	4.0
Asia	Tokyo	32530	37833	37190	1	1	1	0.6
	Delhi	9726	24953	36060	12	2	2	3.2
	Shanghai	7823	22991	30751	20	3	3	3.4
	Mumbai	12436	20741	27797	6	6	4	1.6
	Beijing	6788	19520	27706	23	8	5	4.6
Europe	Moscow	8987	12063	12200	15	21	31	1.2
	Paris	9330	10764	11803	14	25	33	0.7
	London	8054	10189	11467	18	27	36	1.2
	Madrid	4414	6133	6707	38	54	70	1.4
Latin America & the Caribbean	Bogota	4740	9558	11915	34	33	32	2.7
	Ciudad de Mexico	15642	20843	23865	4	4	10	0.8
North America	New York	16016	18591	19885	3	9	14	0.2
	Los Angeles	10883	12308	13257	8	20	26	0.2
	Chicago	7374	8739	9193	21	37	46	0.3
	Toronto	3807	5901	6957	46	56	65	1.7
	Miami	3969	5771	6554	45	58	74	1.1

(Data Source: World population prospects 2014)

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Table 3. Comparative urbanization indicators in selected African countries (2012)

Sub-African Regions	Countries	Population (millions)	Land Area (km^2)	Population Density (people/ km^2)	Urban Population (%)	Growth Rate (%)
West Africa	Ghana	25.4	238.5	111	53	2.4
	Nigeria	168.8	923.8	185	50	2.5
East Africa	Kenya	43.2	580.4	76	24	2.6
	Tanzania	47.8	947.3	54	27	0.7
Central Africa	Angola	20.8	1,246.7	17	60	2.9
	DRC	65.7	2,344.9	29	35	2.8
North Africa	Egypt	80.7	1,001.5	81	44	1.8
	Tunisia	10.8	163.6	69	67	1.1
Southern Africa	South Africa	52.3	1,219.1	43	62	1.0
	Zimbabwe	13.7	390.8	35	39	0.0
Africa	Sub-Saharan	911.5	24,262.3	39	37	
World		7.04 billion	134,289.9	54	53	

(Data Source: World Development Indicators, 2014)

the economic prosperity of their sub-regions. These countries are Ghana and Nigeria in West Africa, Kenya and Tanzania in East Africa, Angola and DRC in Central Africa and South Africa and Zimbabwe in Southern Africa. The urban indicators depict that the top countries are Nigeria, West Africa, which has the highest total population followed by Egypt in North Africa among the 12 selected countries. The country with the least population is Tunisia, North Africa. Again, more than 60 percent of the selected countries have population densities higher than the sub-Sahara Africa's and the world's average of 39 and 54 persons/km^2 respectively with Nigeria (111 persons /km^2) topping the selected countries with the highest densities while the country with the least population density is Angola, Central Africa (17 persons /km^2). The pattern of population densities could help these countries to benefit from large economies of agglomeration in the provision of basic infrastructure and services whose costs are reported to be twice as much as that required in other developing cities (Dorosh et al, 2008). The proportion of urban population also shows that three countries (Tunisia, Angola and South Africa) are higher than the world average with Tunisia, North Africa recording the highest. Large urban growth and populations are stretching infrastructure service providers. Some studies have shown evidence of declining urban service delivery and the growth of cheap and low-quality self-serviced piped water, stand posts, improved latrines or flush toilets (Banerjee et al, 2008; Morella et al, 2008).

The infrastructure deficit is because the population tends to outgrow the availability of electricity, energy, water supply, sanitation and other infrastructures. African continent also has one of the least records of access to basic infrastructure. Indeed, in comparison with other developing regions, Africa presently has the capacity to supply only a fraction of the infrastructure demand (Eberhard et al, 2008). In the same perspective, Yepes, Pierce, and Foster (2008) presented in Table 4, Africa's infrastructure needs compared to other low-income countries which shows that all measures of Africa's infrastructure fall below other low-income regions. The gaps will continue to widen even with African countries' efforts to expand them as a result of rapid urban populations and percentage of persons living in the cities.

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Table 4. Africa's infrastructure deficit

Normalized Units	Sub-Saharan Africa Low-Income Countries	Other Low-Income Countries
Paved road density (km per 100 square kilometer of arable land)	31	134
Total road density (km per 100 square kilometer of arable land)	137	211
Mainline density (lines per thousand population)	10	78
Mobile density (lines per thousand population)	55	76
Internet density (lines per thousand population)	2	3
Generation capacity (megawatts per million population)	37	326
Electricity coverage (percentage of population)	16	41
Improved water (percentage of population)	60	72
Improved sanitation (percentage of population)	34	51

(Data Source: Yepes, Pierce, and Foster, 2008)

In like manner, the price of delivering Africa's infrastructure is generally higher in addition to its low coverage. The immediate explanation for Africa's higher costs of infrastructure delivery is in fact the genuinely higher costs of execution, policies and even high profits (Cohen, 2006). As shown in Table 5 Africa's infrastructure tariffs whether it is for power, water or telephone double that of other regions (Briceño-Garmendia, Smits, and Foster, 2008).

The analysis of overall infrastructure spending needs also indicate that total expenditure including capital expenditure and operation and maintenance will require USD 93.3 billion annually (Table 6). Further analysis shows that the power sector and operation and maintenance will cost about half of the total expenditure and capital expenditure respectively.

To address Africa's infrastructure deficit there is need to properly handle efficiency gap and funding gap by putting in place appropriate policies, strengthening institutions against bottlenecks and promoting financial probity. Briceño-Garmendia, Smits, and Foster (2008) argued that by addressing excess expenditure of 3.3 billion annually particularly in ICT which the private sector can deliver will correct the efficiency gap (Table 7). Proper needs assessment and prioritization of programs and projects will encourage gain from eliminating operational inefficiencies, gain from cost recovery and the potential for reallocation of spending.

Table 5. Africa's high cost infrastructure

Infrastructure Sector	Sub-Saharan Africa	Other Developing Regions
Power tariffs ($ per kilowatt-hour)	0.02-0.46	0.05-0.10
Water ($ per cubic meter)	0.86-6.56	0.03-0.60
Road freight tariffs ($ per ton kilometer)	0.04-0.14	0.01-0.04
Mobile telephony ($ per basket per month)	2.60-21.00	9.90
International telephony ($ per 3-minute call to the United States)	0.44-12.50	2.00
Internet dial-up service	6.70-148.00	11.00

(Data Source: Briceño-Garmendia, Smits, and Foster, 2008)

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Table 6. Overall infrastructure spending needs

Infrastructure sector	Capital expenditure	Operation & maintenance	Total expenditure
Information & Communication Technology (ICT)	7.0	2.0	9.0
Irrigation	2.9	0.6	3.4
Power	26.7	14.1	40.8
Transport	8.8	9.4	18.2
Water supply & sanitation	14.9	7.0	21.9
Total	60.4	33	93.3

(Data Source: Briceño-Garmendia, Smits, and Foster, 2008)

Table 7. Funding resources: The efficiency gap and the funding gap ($ billion annually)

Item	Energy	ICT	Irrigation	Transport	WSS	Cross-Sector Gains	Total
Infrastructure spending needs	(40.8)	(9.0)	(3.4)	(18.2)	(21.9)	n.a	(93.3)
Existing spending	11.6	9.0	0.9	16.2	7.6	n.a	45.3
Efficiency gap	6.0	1.3	0.1	3.8	2.9	3.3	17.4
Gain from raising capital execution	0.2	0.0	0.1	1.3	0.2	n.a	1.9
Gain from eliminating operational inefficiencies	3.4	1.2	0.0	2.4	1.0	n.a	8.0
Gain from cost recovery	2.3	0.0	0.0	0.1	1.8	n.a	4.2
Potential for reallocation	n.a	n.a	n.a	n.a	n.a	3.3	3.3
Funding gap	(23.2)	1.3	(2.4)	1.9	(11.4)	(3.3)	(30.6)

(Data Source: Briceño-Garmendia, Smits, and Foster, 2008)

There is also high variation in energy sources within the African region. Table 8 describes the pattern of energy supply in selected African countries which shows that half of the selected countries are on less than 10 billion kWh while South Africa and Egypt record appreciable amount. As many as eight of the selected countries depend on hydroelectric power as source of energy, Tanzania, South Africa and Zimbabwe also utilize coal for energy, Nigeria, Tanzania, Egypt and Tunisia in addition utilize natural gas, South Africa uses nuclear while all the selected countries except South Africa also use oil.

In like manner, with regards to ICT, Africa is staying closer to developments elsewhere in the world. The percentage of Africa's population living within the range of a GSM signal rose dramatically from 5 percent in 1999 to 57 percent in 2006 (Minges et al, 2008). The analysis of telephone subscribers in the selected countries are presented in Figure 1. Generally, total telephone subscription per 100 people appear to be commendable but the breakdown reveals that there are variations among the available ICT facilities in the selected countries.

Again, total expenditure on fixed broadband internet subscription in relation to GDP per capita is presented in Table 9 depicting the mean and standard deviation of the monthly expenditure on fixed

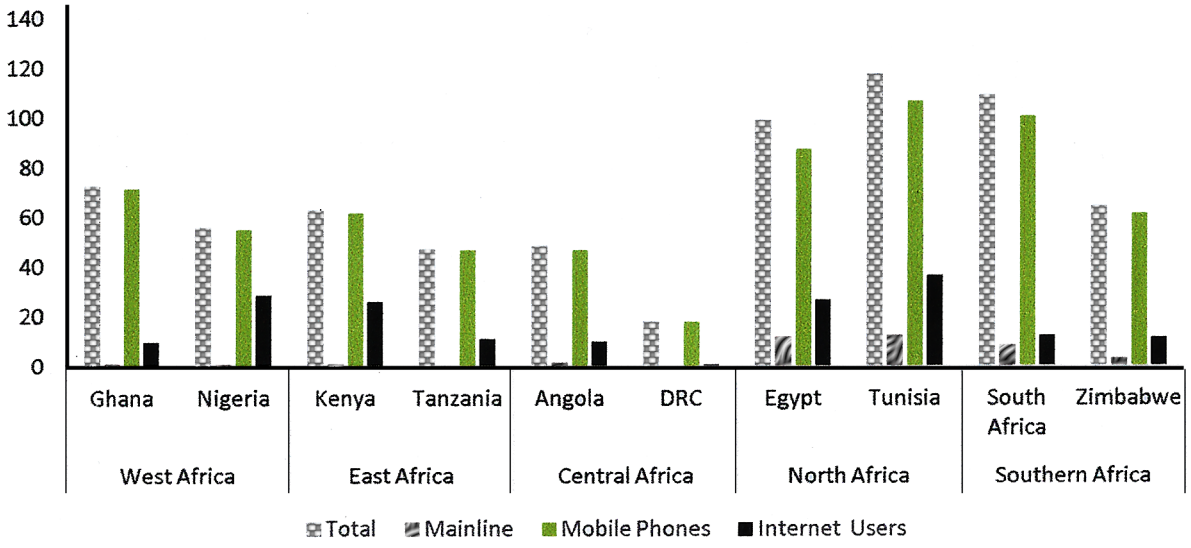
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Table 8. Energy sources in selected countries in Africa

Sub-African Regions	Countries	Total (billion/ kwh)	HEP % of Total	Coal % of Total	Natural gas % of Total	Nuclear % of Total	Oil % of Total	GDP/Capita
West Africa	Ghana	9.0	76.8	0.0	0.0	0.0	23.2	360
	Nigeria	19.8	22.9	0.0	64.3	0.0	12.81	540
East Africa	Kenya	6.9	31.6	0.0	0.0	0.0	44.1	469
	Tanzania	4.6	60.2	2.7	36.2	0.0	0.9	459
Central Africa	Angola	4.2	76.1	0.0	0.0	0.0	24	1,369
	DRC	7.8	99.6	0.0	0.4	0.0	0.1	106
North Africa	Egypt	139.0	9.3	0.0	68.7	0.0	21.3	1976
	Tunisia	15.7	0.5	0.0	89.7	0.0	9.2	3144
Southern Africa	South Africa	246.8	0.6	94.1	0.0	5.2	0.0	3,753
	Zimbabwe	7.9	53.3	46.4	0.0	0.0	0.3	321

(Data Source: World Development Indicators, 2014)

Figure 1. Telephone subscription in selected African countries, 2010



broadband internet subscription for the selected countries. Further analysis depicts a very low negative correlation between monthly expenditure on fixed broadband internet subscription and GDP per capita.

A multi-correlation matrix between transport infrastructure and GDP was computed and presented in Table 10. The summary shows that there is a positive correlation between all the selected transport infrastructures with GDP per capita albeit in different degrees. The analysis shows that rail (0.71), commercial vehicle (0.761) and passenger vehicle (0.647) correlated very highly with GDP per capita while road network and road density have low correlation with GDP per capita.

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Table 9. Fixed broad band internet subscription ($ per month) and GDP/capita

Sub-Region	Countries	Amount ($)	GDP/Capita
West Africa	Ghana	31.5	360
	Nigeria	53.2	540
East Africa	Kenya	37.9	469
	Tanzania	31.9	459
Central Africa	Angola	133.2	1,369
	DRC	0.0	106
North Africa	Egypt	8.0	1976
	Tunisia	10.5	3144
Southern Africa	South Africa	27.2	3,753
	Zimbabwe	0.0	321
Mean		33.34	1249.7
Standard Deviation		39.182	1295.166
Correlation		-0.0239	

(Source: Computed with data from WDI, 2014)

Table 10. Correlation matrix between infrastructures and GDP per capita

	GDP	Road	Rail	Road Density	Commercial Vehicle	Passenger Vehicle
GDP	1					
Road	0.347	1				
Rail	0.71	0.848	1			
Road Density	0.216	0.639	0.477	1		
Commercial vehicle	0.761	0.415	0.643	0.643	1	
Passenger vehicle	0.647	0.423	0.577	0.709	0.975	1

(Source: Computed with data from WDI, 2014)

Furthermore, the analysis of energy consumption and GDP per capita is presented in Table 11 showing the mean value and the standard deviation for the selected countries in Africa. Six of the countries have energy consumption below the average for the selected countries while four countries only have GDP per capita above the mean value. In addition, the standard deviation of the energy consumption and GDP per capita is large while there is high positive correlation between energy consumption and GDP per capita for the selected countries in Africa.

Indeed, infrastructure deficit has been found to contribute to Africa's underdevelopment and downscaling of economic growth by 2% a year (ADB, 2009). The amount of investment in infrastructures is short of the total requirements. For example, according to the report of Africa Development Bank (2009), Africa will require infrastructure investments of about fifteen percent of GDP, or around US$93 billion a year to achieve the 7% annual growth requirement for MDGs by 2015. Indeed, the report indicates that over thirty-seven percent of GDP would be required in poorer regions. In Sub-Saharan Africa, the

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Table 11. Energy consumption and GDP per capita

Sub-Region	Countries	Kwh/Capita	GDP/Capita
West Africa	Ghana	265.1	360
	Nigeria	120.5	540
East Africa	Kenya	147.4	469
	Tanzania	85.7	459
Central Africa	Angola	202.2	1,369
	DRC	103.9	106
North Africa	Egypt	1,548.6	1976
	Tunisia	1,311.3	3144
Southern Africa	South Africa	4,532.0	3,753
	Zimbabwe	1,026.2	321
Mean		934.29	1249.7
Standard Deviation		1,380.27	1295.166
Correlation		0.833	

(Source: Computed with data from WDI, 2014)

government spends around US$9.4 billion out of a total of US$24.9 billion. These efforts of government aside being inadequate in the context of the expanding populations are taking place within weak policies and institutions and paltry budgetary provisions for infrastructure. Recent global crisis including fluctuating global prices and unstable incomes for African nations are further exacerbating the situations which calls for proactive approach for sustainability. Thus, in terms of Gross National Income per capita most African nations lies between 1000-4000 USD compared to more than 10,000-25000USD for other development regions (Smith, 2012). The percentage of urban population living on less than 2USD per day is between 51-75% and higher while in terms of inequality index many African countries are the most unequal (Smith, 2012).

THE NATURE OF URBAN INFRASTRUCTURE DEMAND AND SUPPLY IN AFRICA

There are Africa-wide and national efforts to bridge the infrastructure gap in Africa. Different bodies have taken the initiatives to set up programs and projects towards infrastructural development for poverty reduction. This section reviews various policies and programs of different governments on urban infrastructure delivery in Africa. The African Union Commission (AUC) with the support of the NEPAD Secretariat and the African Development Bank submitted a request to the NEPAD Infrastructure Project Preparation Facility (IPPF) in July 2009 for financial support towards the cost of undertaking the Sector Studies for the Program for Infrastructure Development in Africa (PIDA). The request is for a grant amount of USD 2 million to the African Union Commission (AUC), to co-finance the PIDA sector studies and fill the financing gap in the study cost estimates. The PIDA comes out of the merging and restructuring of AUC and NEPAD Secretariat led ongoing regional and continental infrastructure

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study initiatives – (AUC - Continental Master Plans and Policies Initiative and ii) the NEPAD-Medium to Long Term Strategic Frame Work Study) into one (African Development Bank, 2009).

The Program for Infrastructure Development in Africa (PIDA), a Multi sector program covering four sectors including Transport, Energy, Trans-boundary water and ICT is dedicated to facilitating Africa-wide integration in Africa through improved regional infrastructure and is designed to support implementation of the African Union Abuja Treaty and the creation of the African Economic Community. The overall goal of PIDA is to promote socio-economic development and poverty reduction in Africa through improved access to integrated regional and Africa-wide infrastructure networks and services. It is hoped that implementing it will transform the way business is done and help deliver a well-connected and prosperous Africa.

According to African Development Bank (2009), PIDA offers a platform for fast tracking socio economic development and integration in Africa through collective approach for infrastructure delivery by leveraging the gains of economics of scale. The PIDA project is aimed specifically at:

1. Evolving a strategy and sustainable development pathways and decisions which cover all critical infrastructures by 2030;
2. Providing a holistic and common platform for infrastructure development in Africa;
3. Rationalizing a plethora of different initiatives;
4. Helping to harmonize public, private and development partners intervention in Africa-wide and regional infrastructure, and
5. Promoting private sector participation in regional approach to infrastructure provision.

Energy Infrastructure Demand and Supply in Africa

Ghana

Ghana is making tremendous progress in infrastructure provision especially with regards to energy and transport. According to BMI (2015a) Nigeria's Sahara Group is to construct a 2,000MW thermal power plant in Ghana to enhance the generation capacity of the country. This project will involve Volta River Authority who is to build the plant. The Volta River Authority (VRA) plans to invest USD4.5bn to add 2,500MW of electricity generation capacity over the next decade through the development of 16 projects, including thermal plants and renewable energy facilities. Meanwhile, there are promising programs on renewable energy in response to the 2011 Renewable Energy Act. There is also an ambitious Nzema 155MW solar PV power plant which is being handled by Blue Energy (BMI, 2015a). According to the same report, construction on the USD400mn project was also due to start in 2013 and will be completed in October 2015. In addition, Ghana also plans to build a 360MW combined-cycle thermal power plant at Inchaban in Shama District and another 200MW combined-cycle thermal power plant in Prampram in 2015. There is the public-private partnership power plant Jacobson Jelco Ghana, which will run on natural gas and light crude oil, will be built on a 45-acre site.

Kenya

The Kenyan government is pushing for a very aggressive energy development plan. It hinges its power sector on the independent power project (IPPs) which will be guaranteed by the World Bank's Mul-

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tilateral Investment Guarantee Agency (MIGA) (BMI, 2015b). According to the report, Kenya needs USD5.5bn to step up its electricity generation to 5,000MW, from its current 1,700MW installed capacity, by 2017. Kenya also plans to actively develop renewable energy potential, and is set to finance half of an ambitious USD1.2bn plan aimed at providing half of the country's electricity needs by 2016 using solar energy (BMI, 2015b).

Nigeria

The Nigeria government has put in place the National Integrated Infrastructure Masterplan (NIIMP) which spans 30-years and attempts to better guide the development of infrastructure. The plan involves an NGN464trn masterplan. As at today, the country's electricity production stands at 4000MW while the actual distribution is much less (Buhari, 2015). The Nigerian government under the immediate past administration launched the National Integrated Power Project (NIPP) as a core component of Nigeria's reform of the power sector. The reform includes the unbundling of state-owned Power Holding Company of Nigeria (PHCN), constructing a new 700 kilovolt (kV) national transmission grid by 2014 and allowing private sector participation in the form of independent power producers (IPPs) and the privatization of Nigeria's power sector to yield USD10bn of investment annually (BMI, 2015c). According to the Business Monitor International (2015c) already, the Transcorp Consortium, including Transcorp, Wood Rock, Symbion Power LLC, Medea Development, PSL Engineering and Thomassen Holding, which bid USD300mn for Ughelli Power gas-fired plant have announced their investment plans. In addition, Business Monitor International reports that the Nigerian government signed an agreement with Strancton to build a 1,000MW gas-fired power plant in Katsina State, Nigeria, on December 1 2014. The project, which will be developed in collaboration with the Katsina State Government, is estimated to cost USD1bn (BMI, 2015c). The government also launched the construction of the 450MW Azura-Edo IPP, an USD1bn gas-fired facility on the outskirts of Benin City. As at the moment, the IPP has received USD220mn of equity and USD530mn of debt from a consortium of local and international investors, as well as USD300mn from Nigeria's Seplat Petroleum Development Corporation (BMI, 2015c).

On renewable energy, the Federal Government of Nigeria has signed a memorandum of understanding (MoU) with three firms namely, Solius NGPC, Peoples Home Association and Solar Force Nigeria to add 1,700MW of solar capacity to the national grid (BMI, 2015c). The report indicates that Solius plans to add 1,000MW of solar capacity, starting with a 100MW plant at any site recommended by the power ministry, Peoples Home Association will build five solar parks at different locations with capacity of 100MW each and Solar Force plans to install 1MW solar systems in 200 villages across six states and will be self-funded by the companies (BMI, 2015c). In addition, the US conglomerate General Electric (GE) has signed an agreement with the Nigerian government to invest USD350mn into Nigeria's power sector for providing 100% renewable energy to electricity consumers (BMI, 2015c). In the same vein, Dangote Group sealed a financial agreement with 12 banks for a USD3.3billion loan to build a greenfield refinery and petrochemicals complex in Olokola, in the south of Nigeria (BMI, 2015c).

South Africa

South Africa remains the country with the best infrastructure in Africa by moderately large margin - for example the country has nearly 21,000km of rail lines which accounts for 80% of the total network on the continent (BMI, 2015d). According to BMI report, South Africa budgets 8% which is targeted towards

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Transport, Energy and Communications investment, while 15% will go towards government housing and local amenities in the 2014/15 financial year. Earlier, it plans to raise spending on social infrastructure - which includes health, education and community facilities – from USD2.8bn in 2012/2013 financial year to USD4bn in 2016/2017 financial year (BMI, 2015d). The large Medupi and Kusile coal power plants will continue to support forecasts from 2015 to 2019, with the first units expected to come online in 2014 and 2015 respectively and around 800MW added in eight-to-nine month instalments over the coming years (BMI, 2015d). The BMI report indicates that the real opportunity for investors comes in the form of the planned expansion of the Independent Power Producer (IPP) Procurement Program, which has so far focused on the renewable sector under the REIPPP, to include the procurement of 2,500MW of coal projects and 800MW of cogeneration. There are a number of thermal IPPs in Infrastructure Key Projects Database, such as the USD1.7bn Grootegeluk coal fired power plant in Lephalale and a planned USD900mn facility in Coega (BMI, 2015d). According to the report, South Africa is considering adding up to 9600MW of nuclear capacity to its power mix by 2030.

Zimbabwe

The Business Monitor International reports that the Zimbabwe Power Company (ZPC) seeks to produce more than 9,000GWh of power in 2015.The projected output is 9,799.06GWh, up from the target of 9,766.39GWh in 2014 (BMI, 2015e). Zimbabwe's government has started implementing projects, including the expansion of the Kariba and Hwange power plants to meet demand. Additional units to be built at Kariba and Hwange will add another 900MW to the grid (BMI, 2015e). The report indicates that ZPC is expected to complete the construction of a 120MW emergency/peaking power plant which is estimated at about USD1.2bn in Mutare, Zimbabwe, by 2018. The gas and diesel power plant is one of the planned priority projects under the Zimbabwe Agenda for Sustainable Socio-Economic Transformation 2014/2018 financial year. There is also a plan by a Zimbabwean to build a second petroleum pipeline carrying nearly 500mn liters of fuel a month from Savanna, north of Beira in Mozambique, to Zimbabwe has been rejected by Mozambique, according to government officials. In addition, ZPC seeks to produce more than 9,000GWh of power in 2015.The projected output is 9,799.06GWh, up from the target of 9,766.39GWh in 2014 (BMI, 2015e). Further data from BMI indicates that in June 2014, China's Sino Hydro won a USD1.3bn contract to add 600MW at the coal-fired Hwange power station in Zimbabwe, after another Chinese firm was unsuccessful in starting the project. Zimbabwe, currently operates at 63% of its 900MW installed capacity. The Zimbabwe Power Company (ZPC) is expected to complete the construction of a 120MW emergency/ peaking power plant which is estimated at about USD1.2bn.in Mutare, Zimbabwe, by 2018 (BMI, 2015e).

Transport Infrastructure Demand and Supply in Africa

Ghana

According to BMI report, Ghana's transport network also requires sizeable investment, especially to support the national economy with emphasis in improving connectivity, upgrading existing road network, and adding new transport capacity (BMI, 2015a). The report indicates that there are major upgrades of the rail network with a contract to rebuild the 330km eastern railway corridor, under Ghana's Railway Master Plan, which will be awarded by the end of 2015. Presently, China Communications Construction

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Company has established a USD3bn credit line in 2012 which it is to be put towards roads, railways and ports in Ghana. The government is also looking to PPPs to attract international investors into infrastructure which includes the exciting transport PPP projects of Tamale Airport. The government of Ghana has approved USD100mn in April 2013 and construction services will be provided by Brazil's Queiroz Galvao with financial support from Brazil's ExIm Bank and development bank BNDES (BMI, 2015a).

Kenya

An East African Community's (EAC's) Corridor Diagnostic Study, the Northern Corridor, which is anchored by Mombasa as reported in the BMI report, is estimated to need USD2.1bn in investment, while the Central Corridor will need USD2.0bn. In addition, the report notes that overall, the region needs USD20bn to bring the region's transport infrastructure up to standard to support unlimited economic growth (BMI, 2015b). Expenditure on transport in the EAC countries accounts for 45% of the total cost of goods and this is 30% higher than in Southern Africa, making commodities produced in the region uncompetitive (BMI, 2015b). Similarly, construction of the 158km regional road that will run from Arusha in Tanzania to Voi in Kenya - a key trading artery - will start in November 2014, according to Tanzania's Ministry of East African Cooperation. The project has been boosted by the AfDB approved loans in 2015 worth a total of about USD230mn, out of which Tanzania will receive USD120mn and Kenya USD113.12mn (BMI, 2015b).

Nigeria

There continues to be progress with implementing public-private partnerships (PPPs) across the transport sector, which will help to leverage more private capital into projects. There are a number of strategies including the proposed National Transport Commission Bill (2014), the Nigerian Railway Bill (2014), The Nigerian Ports and Harbor Authority Bill (2014) and the National Inland Waterways Authority Bill (2014) which should energize the sector. It is Nigeria's government's priority to connect it burgeoning cities with each and the rest of West Africa and as a result in January 2014, the heads of state and government of the Economic Community of West African States (ECOWAS) approved a USD50mn funding for the feasibility study and design of the six-lane dual carriageway leading from Lagos to Abidjan and, in the future, from Abidjan to Dakar (BMI, 2015c). Nigeria government hope to drive this initiative through well-articulated partnership strategy with the private sector. It hopes to receive international assistance from the World Bank through its public private partnership program up to the USD1bn by 2017 (BMI, 2015c).

Some of the modest accomplishments in transportation include the CCECC- Costain West Africa shared upgrade of the Lagos-Kano, and the completion of track laying of the 186.5km final section of the Abuja-Kaduna standard-gauge railway line which cost USD850mn (BMI, 2015c). Also, Turkish contracting and engineering firm Eser has completed the 243km Port Harcourt-Enugu rail line in Nigeria to Nigerian Railway Corporation. Lagos's 35km light rail network being designed and developed by China Civil Engineering Construction Company (CCECC has seven proposed lines in the network: Red, Blue, Green, Yellow, Purple, Brown and Orange. The light rail network has seen progress thanks to the appointment of the Infrastructure Bank Plc as the fund manager for the NGN25bn project since June 2013. Also, Lagos has been issuing bonds to raise capital for the project, which should help see the project at least partly realized. The first two lines of the urban rail project are estimated to cost USD1.4bn.

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Meanwhile, in July 2014, the Federal Executive Council (FEC) of Nigeria approved a NGN1.3bn (USD8mn) contract for feasibility studies on six standard gauge rail corridors across the country. The six standard gauge routes are:

1. Kano-Dayi-Katsina-Jibiya
2. Ilela-Sokoto-Jega-Yauti-Makera
3. Aba-Ikot Ekpene-Ibiono-Itu (including a spur line to Uyo)-Odupkani-Calabar
4. Kano-Nguru-Gashua-Damaturu/Gamborun-Ngala
5. Calabar-Ikom-Obudu-Ogoja-Katsina Ala-Wukari-Jalingo-Yola-Maiduguri
6. PortHarcourt-Aba-Umuahia-Enugu-Makurdi-Lafia-Jos-Bauchi-Gombe-Biu-Maiduguri

The selection of these routes will connect population centers, airports and areas of industrial and agricultural activity.

Egypt

Egypt has 5,083km of railways and, according to information made available by the government's portal, the railways have a capacity to handle an estimated 4.5mn tons/km (BMI, 2015f). According to the report, in June 2010, the Egyptian Railway Authority (ERA) announced an EGP40bn (USD7.04bn) 10-year plan to develop the railway infrastructure in the country, with a focus on the Nile Delta region. Projects under this framework include the high-speed railway link between Alexandria and Cairo, and a 77km railway between Cairo and Tenth of Ramadan City (BMI, 2015f). Egypt has been the beneficiary of a significant amount of aid including the Gulf Cooperation Council (GCC) funding since the 2011 revolution. The country has received more than USD5bn in loans and grants for transport infrastructure (BMI, 2015d) (BMI, 2015f). The BMI report also shows that already to boost her transport infrastructure the Egyptian government has awarded two contracts for Suez Canal expansion worth USD8.5bn (BMI, 2015f).

South Africa

The BMI report shows that in 2011, the South African government announced that it intends to spend USD16bn on the development of the country's transport infrastructure by 2016. The funds will be invested primarily in new rail lines, rail vehicles and port capacity which include expansion plans for the period include the purchase of 2,500 South African-made rail vehicles and boosting the handling capacity at Durban port to 1.6bn twenty-foot equivalent units (TEUs), the spending of USD4.81bn on commuter rail infrastructure and new rolling stock for South Africa's transport infrastructure over the next three years. Also, Transnet and Swazi Rail signed an agreement in January 2012 to build a USD2bn railway between South Africa's coal-rich Mpumalanga province and western Swaziland. There is another USD231mn project to upgrade an existing railway running between the manganese-rich Northern Cape Province to the port of Ngqura, in the Eastern Cape, which started in 2013.

There is construction of roads in the province of Gauteng, one of the main economic regions of South Africa, worth USD2.74bn by 2016, the agreement between the Chinese Development Bank and the South African government to provide about USD5bn in open-ended financial assistance to South African state-owned freight logistics operator Transnet, the Tambo Springs Inland Port and Logistics Gateway scheduled to become operational in 2017, and the 1,037-hectare multimodal freight gateway

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being developed by Tambo Springs Development Company and the government. The BMI report also noted that Johannesburg has approved a USD3.2bn infrastructure for the cities 'Freedom corridors', which is a mass transport system made of affordable buses and rail services.

Zimbabwe

The 2015 report of the Business Monitor International observed that Road Motor Services, a subsidiary of National Railways of Zimbabwe, has initiated work in order to prepare for construction at the Walvis Bay dry port in Namibia. The government of Namibia provided 19,000sq m of land to the Zimbabwean government to build its own dry port to boost trade. Similarly, in July 2014, the Development Bank of Southern Africa offered a loan worth USD460mn to the National Railways of Zimbabwe (NRZ) to rehabilitate its infrastructure which requires more than USD2bn after 10 years of decay (BMI, 2015e).

STRATEGIES FOR FUTURE URBAN INFRASTRUCTURE GOVERNANCE

1. **Transform from Primary to Secondary Production**: Africa is blessed with abundant natural resources but lacks the basic infrastructures to take a large number of the populace out of poverty. Africa lacks what it takes to be able to add value to natural resources through competitive investments, income expansion and employment generation. By insisting on adding values to natural resources for local markets and exports will widen the horizon for opportunities and choices which trickles down among the populace. It is the failure to move Africa from a primary to secondary production that presently peg the continent among the world's poorest and under-developed regions.
2. **Transform Fiscal Policy**: The economies of large African nations are dominated by informal sector activities. The process and pattern of the activities of these informal sectors are difficult to capture and calculate for proper taxation. This makes it difficult to include these large segments of the economy presently being estimated at close to 70 percent into the tax net. This ultimately limits the prospects of growing infrastructures that are highly capital intensive. African nations should engage devise means to resolve this debacle.
3. **Eradicate Corruption**: The continent is also plagued with corrupt government officials, insecurity, serious human rights violations, failed central planning, high level of illiteracy and low capital base. These factors are the underlying reasons for the acute shortage of basic infrastructure and services creating cyclic poverty. Corruption must be proscribed and criminals prosecuted without sentiments and political considerations.
4. **Improve Human Capital Development**: According to United Nations' Human Development report in 2003, the bottom 25 ranked nations (151st to 175th) were all African. Therefore, there must be concerted efforts to progressively raise education levels of the citizens across age and gender. Africans must be able to compete favorably in all areas including knowledge and skill to be able to improve in the human development ranking.
5. **Sustain Economic Growth**: Africa's economic growth rate increased averaging 5% in 2005 but this has failed to address unemployment, reduce poverty and develop infrastructures. Global GDP at purchasing power parity rankings (Table 12) has positioned African nations among the first 20. Indeed, African nations including Kenya and Nigeria are already listed among the fastest growing economies in the world. Africa should leverage this economic explosion to expand its infrastruc-

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Table 12. GDP at Purchasing Power Parity Rankings

Rank	2014	2030	2050
	Country	Country	China
1	China	China	India
2	United States of America	United States of America	United States of America
3	India	India	Indonesia
4	Japan	Japan	Brazil
5	Germany	Indonesia	Mexico
6	Russia	Brazil	Japan
7	Brazil	Russia	Russia
8	France	Germany	Nigeria
9	Indonesia	Mexico	Germany
10	United Kingdom	United Kingdom	United Kingdom
11	Mexico	France	Saudi Arabia
12	Italy	Saudi Arabia	France
13	South Korea	South Korea	Turkey
14	Saudi Arabia	Turkey	Pakistan
15	Canada	Italy	Egypt
16	Spain	Nigeria	South Korea
17	Turkey	Canada	Italy
18	Iran	Spain	Canada
19	Australia	Iran	Philippines
20	Nigeria	Egypt	Thailand
22	Egypt	Thailand	Vietnam
29	South Africa	South Africa (31)	South Africa (27)

(Source: IMF WEO database (October 2014) for 2014 estimates, PwC projections for 2030 and 2050)

tures. Some of the critical factors to be considered in order to sustain this growth include: size of the economy, economic performance, resilience and disparities, labor force, regulations and governance, and market size.

6. **Deploy Strong Policy of Rural Development and Adaptation to Climate Change:** The proportion of Africans involved in agricultural activities is still high. The process and pattern of agricultural activities are presently characterized by low productivity, weak market structure and seasonal incomes. Besides, agricultural activities are climate-sensitive. These explain the high rate of rural-urban migration. It also excludes many citizens from the opportunities for improved livelihoods in non-agricultural activities. Also, the lack of adequate social and economic infrastructure in African rural communities seriously hinders short- and medium-term poverty reduction (TMSA, 2012). Efforts should be channeled towards turning these gaps into opportunities with so much natural resources in Africa. This requires appropriate adaptation techniques at the local level including reskilling of the agricultural population and production mechanisms to adopt high-yielding crops, disease-resistant species, improved farming methods and flexible skills. Similarly, the provision

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of infrastructures and establishments of markets to link farmers and buyers will be desirable at the regional or national levels.

7. **Use Best Practices of Urban Infrastructure Maintenance:** In like manner, with the rising urban populations in African cities, the available infrastructure that are hardly adequate are being stretched beyond limits and coupled with the poor maintenance culture, there is growing number of dilapidated, deteriorating and unserviceable infrastructures and facilities. Use of sustainable system of urban infrastructure maintenance will not only enhance their lifespan but also avoid wastes associated with unnecessary replacement costs.
8. **Mobilise for Urban Infrastructure Governance:** The need for sustainable mobilization of resources for infrastructure development, operation and maintenance at least costs cannot be overemphasized. This is to overturn the challenge of urban governance for infrastructure in Africa and reduce urban poverty and inequality. This will entail:
    a. Identification of private, public and international sources of funding and collaborations.
    b. Preparation to satisfy the requirements for accessing these resources and collaborations.
    c. Establishment of institutions for managing these resources and collaborations.
    d. Recruitment of urban infrastructure governance champions.
    e. Promotion of the rule of law and good governance.
    f. Management of resources/collaborations using international best practices.
    g. Proper evaluation, monitoring and review of urban infrastructure.
9. **Evolve Sustainable Urban Policy**: The unsustainable fragmentation of urban areas should also be interrogated for effective urban infrastructure governance. Classifying and designating settlements as urban based on sentiments and political considerations will create cities of burdens for the African continent. Urban centers should be allowed to evolve naturally rather than by legislations to avoid creating dysfunctional urban settlements bereft of creativity, productivity and resilience. For example, a report of African Development Bank in 2009 observed that many cities of African continent are small, with populations fewer than 20 million and economies of less than $10 billion. This has implications for effective urban infrastructure development, operations and maintenance.

CONCLUSION

The process and pattern of urban revolution, the paradox of poverty amidst wealth and urban infrastructure gap are revealing on low productivity, cyclic poverty and large inequality in Africa. The manner of African urbanization, proliferation of slums, rising crime rates, unemployment, and exert pressure on available infrastructure including transport and energy which is critical for industrialization. In most African countries, particularly the lower-income countries, infrastructure emerges as a major constraint on doing business and is found to depress firms' productivity by around 40 percent (Escribano et al, 2008). African Development Bank (2009) in terms of PIDA noted that improved infrastructure would facilitate domestic and international trade, reduce the cost of doing business and enhance Africa's competitiveness both as an exporter and a destination for investors. In this regards, governance in Africa should emphasize infrastructure delivery based on justice, inclusiveness and accountability. This will build public trust and confidence thereby promoting legitimacy and democracy in the African institutions and municipal governments.

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The abundance of natural resources in Africa with high prospects for wealth generation makes the current state of poverty inexcusable. By sustainably harnessing these resources and adding values to them will make African continent enhance the living conditions of the populace. Africa's relatively rapid average annual rate of change which account for rising urban revolution and proportion of persons living in the cities in comparison to other regions calls for concern. While, it may be agreed that the urban revolution in Africa is indeed young yet it is necessary to learn from other regions who have attained stability within a short period of urbanization. This will help to urgently address the rising poverty in the midst of wealth associated with failure of service provision to match urban agglomerations. Africa should be both pragmatic in sustaining the present economic growth levels and learn from other regions who have used such advantage. This compels the need for appropriate urban and fiscal policies to integrate African economies and markets. Distortion of policies and programs hinders growth and truncate prosperity.

Deficits of infrastructure have a clear impact on African competitiveness. Most African countries, particularly those south of the Sahara, are among the least competitive in the world. The reason for this largely is due to shortage of infrastructures. For instance, poor infrastructure increases logistics costs. Deficient infrastructure in today's Africa has been found to sap economic growth by as much as 2% a year (African Development Bank, 2009). This is a regional problem that requires a regional solution.

The way forward is that Africa looks inward and evolve truly home grown strategies built on indigenous knowledge and systems. Africa should reconstruct her history and earlier aspirations for a truly just and egalitarian society based on the peculiarities of her history and traditions which would help to harness local assets and integrate the region. Indeed, while the contributions of external aids may not be eliminated in the short-term, appropriate efforts should be identified towards transiting from urbanization to sustainability. This calls for research not just on the contribution of external aids for infrastructure delivery but interrogating the role of these external aids in reducing poverty in Africa.

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KEY TERMS AND DEFINITIONS

Globalization: The process leading to increased interconnection and trade relations among nations as a result of improved transportation, communication and technology.

Infrastructure: The facilities that are required for the running of society.

Paradox: A situation is described as a paradox when it involves two or more ideas or characteristics which appear to oppose each other.

Poverty: The lack of resources (physical, social and cultural) required to realize personal life goals.

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Urban Governance: The available institutions and organizational structure in cities for addressing the needs in society.

Urban Growth: A process involved with increase in the population of cities.

Urban Revolution: This refers to the process of transiting to non-agricultural related activities in cities.

Urbanization: This refers to the process of making cities.

Wealth: This refers to a condition whereby an individual, household or nation possesses plenty of valued material possession or resources.

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Chapter 57
Poverty as a Tourism Attraction: Travelling on the Web

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ABSTRACT

The visit of the favela or slum into a tourist destination is seen as a part of the so-called reality tours phenomenon and of the global circulation of the favela as a trademark. Tourist behaviour involves a search for leisure experiences from interactions with features or characteristics of places they choose to visit. Examples are the favelas in Brazil, the township of South Africa, the slum in India that have led to different definitions of "slum tourism", "poor-poor tourism", "reality tourism". Web heavily affect today most of the online activities and their effect on tourism is obviously rather important. The aim of the chapter is to discuss about slum tourism definitions. At the same time, taking Reality Tours and Travel - a wholesaler slum websites - as a case, this study attempts to explore issues of the quality of strategic choices on the web. Considering that the content of web site includes a wide variety of technologies, is important that website offer also interactivity with e-tourists. Through the results of the study, it is possible to gain knowledge of the slum e-tourism.

INTRODUCTION

Cities contain extremes of wealth and poverty, each concentrated in one or more sections. The wealthy areas are generally well insulated from the city around them; in contrast, areas inhabited by the poor are marginalised, i.e. generally unconnected to the social and economic life of the city flourishing around them. This leads to a number of questions: are poor people actually poor or are the contexts in which they live poor? Who are the poor? Although 'poor' may be a stable descriptive identity for people in some groups, for most, poverty is a situation, not an identity (Narayan, Pritchett, & Kapoor, 2009). Poverty is not defined in terms of low incomes, but uses broader concepts of deprivation and insecurity (Hossain, 2005).

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Poverty is everywhere and anywhere to a different degree but often does not arouse interest. Conversely, poverty actually creates curiosity because of difference in ways of life. It is a common phenomenon and is one of the top forms of tourism in some parts of the world (Delic, 2011). Examples are common throughout South and Central America as well as in Asian countries which have the same characteristics as the favela in Brazil, the townships in South Africa, or the slums in India, which have led to different definitions of favela, township and reality tourism: places where poverty is more concentrated in neighbourhoods.

Slums are particular, unstable areas representing otherness in terms of vandalism and deprivation with an emotive power denoting opposition to order and security (Durr, 2012a). The term slum usually has derogatory connotations. A slum is defined in several ways by different organizations. Slums are usually characterized by urban decay, high rates of poverty, illiteracy, and unemployment. According to the latest UN-Habitat publication regarding Urban Development and Management (2013), the absolute number of slum dwellers continues to grow, due to the fast time of urbanization. UN-Habitat states that the number of people living in slum conditions is now estimated at 863 million, in contrast to 760 million in 2000 and 650 million in 1990.

In recent times, due to changing social conditions and the development of international tourism, so-called *poverty* or *slum tourism* has increasingly come into focus: organised tours of destinations in degradation and poverty, and in some cases also illegal places fully run by gangs. In the past there have been a lot of violent confrontations between these gangs and states (e.g. favela in Brazil, barrio in Colombia). Tourism today is characterised by diversification and enrichment of the tourist product offered, where the tourist is satisfied not only by the contemplation of a landscape (authentic or romantic), but intends to turn it into an experience to feel a real part of (Schmitt, 1999).

Research of authentic and unexplored regions, places with forms of social tension and ethical issues, contrasts with the particularities that distinguish purely hedonistic and recreational, traditional tourism. The 'regular' tourist travels to sites for the purpose of learning and gaining knowledge and information. A slum tourist, in contrast, is seeking some sort of emotional pleasure and is interested in seeing 'reality', or gaining authenticity, insight into power relations or a window onto other lives when there are ethical sentiments.

At the same time, with consumers playing a participatory role in the production and consumption process (Buhalis & Law, 2008), it has become dominant for businesses to use technology to engage consumers in a more individual way. The internet is rapidly becoming the number one information source for travel. In fact, the choices of the consumer are aided by the information picked up through the Internet, which is an ideal place to communicate, promote, and 'sell' destinations and where potential clients can undertake comparisons and choices more responsibly. The more consumers submit their online interests, the more companies seek to offer solutions that meet their potential costumers. Porter (2001) demonstrated how the internet has changed industry forces. Previous research has shown that innovation, organisation and external factors can influence a firm's decision to adopt e-commerce as a marketing and selling strategy (Wan, 2002). The use of the Internet has become a key competitive tool and essential also for tourist destinations (Murphy et al., 2007) and offers great potential to influence consumers' perceived images. In addition internet promotes the mass customization of tourism products as it supports the tourist operators to target niche markets in different geographical locations (Buhalis et al., 2005; 2011).

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As tourists have gained more experience in tourism travel, they have also grown more critical of tour wholesalers and their products. Online channels have played a crucial role in changing the attitude of them towards their customers. They have built a direct relationship with potential tourists. Following this trend, tour operators have also been adapting their strategies for online travel retail (Dwyer et al., 2009). By using the web and the Internet as marketing tools, tourism organizations have gained some distinct advantages in cost reduction, revenue growth, marketing research and database development, and customer retention (Morrison et al., 1999). Wang and Fesenmaier (2006) argued that a successful web marketing strategy requires the integration and coordination of web-site features, promotion techniques and customer relationship management programmes. Thus integrating technologies with relationship marketing could help tourism organizations and destinations to maintain competitiveness and improve the management of business relationships with customers (Álvarez et al., 2007).

Therefore it is important to study tour salers sites as sources of tourist information (i.e. the ways in which these are seen online). Web-site performance can be measured in various ways (Buhalis et al., 2011).

This chapter first assesses the current literature on slum tourism and importance of the web sites to influence the perceived image of destination as a virtual experience for the tourist. It then goes on precedent research that evaluates tour operators websites to analyse strategic choices enacted, the attractiveness of the websites, tourist information given on slum tours and marketing effectiveness. The goal of the current study is to find out how organisations can improve their websites and gain competitive advantage in the marketing of slum tourism. A recent research (Privitera, 2015) show that slum tour organisations on the web are at a relatively sophisticated stage of development, it presents as a viable tool for promotion of slum tourism and complementary information channels. In fact an overview of websites of slum tourism operators were evaluated using the extended Model of Internet Commerce Adoption (eMICA), methodological approach which draws on the evolutionary development of electronic commerce. Now we are focusing on a case study *Reality Tours and Travel*, a well know and large tourism operator in Mumbai (India). This website has been selected due to its reputation and easy access to information for the purpose of a research study. The following study is of an exploratory nature. Finally, it highlights several critical managerial implications and discusses limitations and suggestions for further research. The results of the study allow a gainful contribution to the promotion of slum tourism on the web.

BACKGROUND TO THE DEBATE SURROUNDING POVERTY AS A TOURISM ATTRACTION

One of the major challenges facing urban planners globally is the proliferation of slums predominant in the urban economies of developing countries. The extent and spread of slums not only helps us to recognise that they are not anomalous and pathological phenomena in the urban landscape but also a manifestation of urban poverty (Goswani, 2013). The term slum, in vogue since the beginning of the 18th century, is used to describe squalid housing in densely populated areas of industrial cities. A slum is a compact area of an overcrowding population and poorly built congested dwelling conditions, an unhygienic environment usually with inadequate infrastructure lacking in proper sanitary and drinking water facilities (Goswami, 2013). The concept of slum varies widely from country to country and depends on a variety of defining parameters. In some countries slums are largely forgotten parts of a city; in others the poorest areas (Diekmann & Hannan, 2012).

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From Rio de Janeiro to Mumbai, short, organised tours of poor areas have grown in popularity. And so too have ethical discussions on whether slum tourism or poverty tourism is educational and philanthropic, or voyeuristic and exploitative. Poverty tourism intersects with places of urban misery and their representation: slums representing the negative sides of cities, marginalised districts or ghettos and, in less developed countries, places of danger, crime and violence (Durr, 2012b). Slum tourism involves the commodification of urban deprivation (Durr & Jaffe, 2012). Slum tourism has expanded in popularity, probably due to the spread of communication routes (Delic, 2011) and media events; similarly, tourists who write about their experiences in virtual spaces create an increase in the demand for similar tours. Slum tourism is thus a mass tourism phenomenon occurring only in few destinations and a niche form of tourism in a growing number of other destinations (Frenzel et al., 2015). It's as viral marketing: from the Global South across destinations in Northern Europe. Recent estimates by Frenzel et. al. (2015) confirm an annual number of over one million slum tourists. Most of these tourists (80%) will do guided tours in just two destinations: the townships of South Africa and the favelas of Brazil.

The development of guided tours in destinations and places of poverty and degradation is controversial, probably because the combination of pleasure and poverty affects the sensitivity and moral values of public opinion (Freire-Medeiros, 2009). Researchers believe there are positive aspects of slum tourism (Steinbrink, 2012; Obrien, 2012) when proposed according to ethical and sustainable principles (Caldieron, 2013).

Exchanges can be positive but must improve the transformations of the neighbourhoods. In some cases, these tours offer travellers a glimpse of life in an area they might not visit otherwise, often because of logistic or safety concerns. But is slum tourism profiting from the poor? Slum tours can be unfair if communities aren't involved. In fact, it could be suggested that inhabitants have positive attitudes towards slum tourists (Mekawy, 2012), so that the appropriate form is collaborative and responsible participation in small-scale cooperatives (e.g. the government of Egypt uses cooperatives to reduce poverty). Another example is the social urbanism policy in Medellin, Colombia, a holistic approach to the development of the poorest areas, building a more authentic and inclusive image of the city (Hernandez-Garcia, 2013).

Slum tourism can be fabulously well-managed; an exchange of culture with local people ; very representative of a society; a confrontation with certain stereotypes; and at the same time an escape from monotony (MacCannel, 1976) or a search for absolutely real, objective authenticity, an experience which genuinely samples the culture of the society and the host people (Frenzel & Koens, 2012).

However, it appears that slum tourism is the organisation of tours in poor areas and thus different to 'dark' tourism, i.e. visiting sites, attractions, or events that have death, suffering or the macabre as a main theme (Stone & Sharpley, 2008) and different from pro-poor tourism. Specially pro-poor tourism (PPT) is aim to increase the net benefits for the poor from tourism, and ensure that tourism growth contributes to poverty reduction. PPT is not a specific product or sector of tourism as slum tourism but an approach (Ashley et al., 2001).

It is note that holidays are perfect opportunities for so-called experiential tourists, driven by their emotions, to see what is imagined and be immersed in a culture and lifestyle of a destination; or an affirmation of the so-called 'epidemic' of the imaginary (Zizek, 2004), in which images and desires tend to progressively replace reality. In fact, tourist experience seems less and less like a discovery and is characterised as more of a 'check'. The sociologist Urry (2002) has shown that in the era of hypermobility the tourist experience is mere observation of spectacular places. Tourists are quick and fleeting but must prove that they have also 'consumed' the holiday (Cohen, 1972). The tourism of poverty may therefore be defined as tourism diversion (Cohen, 2007; Ma, 2010) or experiencing a difference from the

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boredom of daily routine (Ryan, 2002), which are justified by curiosity but where a voyeuristic aspect is definitely a component (Williams, 2008). There are other important but not major reasons for travel, such as the provision of benefits to the environment and local communities, typical of social tourism (Butcher, 2003). In fact many tour operators say they give back to the communities they visit and create jobs (www.favelatour.com.br).

It appears that poverty tourism could include educational aspects typical of township tourism as defined by Ramchander (2004), such as the observation of expressions of culture and ways of life typical of South Africa, or the Brazilian *favela* as examined by Freire-Medeiros (2007; 2009), which became a trademark and at the same time was marketed as a tourist destination. Destinations may include any landscape, an ecological site, a tourist experience, extremes or places offering consumer goods (Duarte, 2010; Rolfes, 2010; Meschkank, 2011). Roogerson (2004; 2008) also includes poverty in this form of tourism, e.g. bringing visitors to the sites of significance to the anti-apartheid movement as well as improving tourists' understanding of poverty issues of historically oppressed communities.

Whyte et al. (2011) contend that the driving purpose is for tourists to observe poverty personally. They believe that the activities will provide an authentic experience of poverty and the decision to go on a tour does not involve meaningful collaboration and consent between residents and tourists. Also, Robertson (2007, p. 546), in downtown eastside Vancouver, for example, notes a form of "misery tourism" in which people visit the area solely to see its infamous poverty. The voyeuristic gaze of outsiders to the community has been remarked and decried, although this gaze is more regularly mediated through media rather than direct visits to the neighborhood.

Examples of organisations who organise such tours are numerous, but sometimes it is necessary to specify that there are operators with social or ethical purposes which benefit local residents and improve local economies. In this sense, the aim is to involve residents in decision-making processes, where they may receive benefits from this particular type of tourism. The studies demonstrate that isolated efforts from individual tourism companies have little tangible impact on the majority of people living in highly populated rural communities but impacts are substantial for the few people who directly benefit (Goodwin, 2009). Yet we need to ask which roles and functions illegal powers have developed in these areas. Much study on township tourism in South Africa has dealt with pro-poor aspects. Policy in South Africa is positive to promote township tourism as a tool of economic development so far business tourism is also likely to be a factor for tourism revenue for township (Frenzel, 2014; Rogerson, 2013). Other operators which offer regular sightseeing tours in cities have added the slum experience as an integral part of urban representation (Durr, 2012b) though slum tourism remains significant for creating economic opportunities in developing countries and contribute to shared growth in urban tourism (George & Booyens, 2014).

IMPORTANCE OF WEB: THE GEOGRAPHY OF INTERNET USERS

Internet and the new technologies have become an integrated part of our lives making is easier to communicate, research information and purchase any kind of products and services. The online transactions are becoming simpler and faster and have definitely made our lives easier since only one click can bring in a few days whatever we want. The web has an important role either to consumers than business operators. Previous research has shown that innovation, organization and external factors can influence a firm's decision to adopt e-commerce as a marketing and selling strategy (Guimaraes, 2012; Wan, 2002). There are 3.4 billions internet users in the world (see Table 1) with significant penetration

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ratios in countries like Asia (45.7%), Europe (19.2%) and North America (10.2%) (Internet World Stats, www.internetworldstats.com, 2014). Internet users in Europe as UK, Russia and Germany have a high amount: in 2014 the percentage of users exceeds 12-15%. Internet penetration in Europe is growing and travel e-commerce represents the largest item, surpassing more traditional uses such as internet banking or research information for health. Between top 20 Countries with the highest number of internet users there are Japan and Germany (86.2%), China (45.8%), Brazil (54.2%). However, the web also has the additional benefits of higher user involvement and user capture at opportune moments. Traditional mass media has been characterized by information push. In contrast, communication processes on the web are driven by information pull (Turban et al., 2008). Consumers control what information they access, which parts they explore, what routes they navigate, and when they view. The hyperlink function also allows users to move from one source of information to another. This further enhances user control in the communication process, and therefore allows users to pursue their specific interests. Therefore becomes important to study websites as places of business, the ways in which these can be seen online (Hax, 2010).

Globally, 4 billion people remain unconnected from the Web, 90% of whom are in the developing world. At the same time, we are currently undergoing a rapid shift from feature phones to smartphones, even in the world's less economically developed regions. Nowadays almost everyone, from children in playgrounds to seniors, have mobile phones or/and tablets connected to the internet and the number grows every year. At the end of 2014, half of the world's population had at least one mobile subscription, totalling over 3.6 billion unique mobile subscribers. The global mobile subscriber base increased by just over 5% in 2014 (GSMA, 2015). Millions are also converting to smartphones. In practice, the growing number of smartphones and tablets means significant changes in the behaviour of users (Kumar et al., 2006). This will affect the ways in which they spend their leisure time, the frequency of browsing the web, and increase their appetite for mobile apps (Rayport & Bernard, 2004). Mobile is confirmed as a strong youth medium with 48% of users between 18-34 years old, compared to 40% for the fixed Internet and 29% for the TV audience. Mobile is also more tilted towards men, who represent 63% of total users (GSMA, 2015).

Table 1. Global internet usage and demography in June, 2014 (in millions)

World Regions	Population (2014 Est.)	Internet Users -2000	Internet Users 2014 (Millions)	Penetration (% Population)	Growth 2000/'14%	Users %
Africa	1,125,7	4,5	297,9	26.5	6,498.6	9.8
Asia	3,996,4	114,3	1,386,2	34.7	1,112.7	45.7
Europe	825,9	105,0	582,4	70.5	454.2	19.2
Middle East	231,6	3,3	111,9	48.3	3,303.8	3.7
North America	353,8	108,1	310,3	87.7	187.1	10.2
Latin America -Caribbean	612,2	18,1	320,4	52.3	1,672.7	10.5
Oceania-Australia	36,8	7,6	26,8	72.9	251.6	0.9
World Total	7,182,5	360,9	3,035,7	42.3	741.0	100.0

Source: Elaborated data from Internet World Stats, www.internetworldstats.com, 2014

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STUDYING SLUM TOUR ORGANISATIONS WEBSITES

Methodology

As indicated in the research aims, the goal was to assess the attractiveness and other aspects of the websites as contributors to slum tourism. Some sites offering opportunities for consumers to interact had a higher number of unique features than other sites. Good quality website design is not only based on the developer's perceptions, but also customer acceptance and perception (Day, 1997). On the web, the competitive advantage of a "place" does not depend only of localizing factors, but also on the diffusion of information and on the image that it manages to create through the virtual experience.

The study of the tourism operators websites, in a precedent research (Privitera, 2015), was developed through fact-finding data collection using the eMICA model. In current literature of the quality of web sites it is possible to identify three groups of models (Mich et al., 2003). Some were created with the aim of developing instruments for automatically assessing quality, above all in the cases where it is necessary to assess a large number of web sites. The indicators used in this type of model are, for example, the average time needed to download the home page, the number of errors found in the code or in the script, the number of broken links which exist on the pages. Other models were created to respond to aim related to the evolution of the web site or to compare web sites, for example, in order to improve some particular aspects (usability, surfability, etc). Finally, a third category is tied to the increasing importance that e-commerce has assumed. According to the original MICA model (Burgess & Cooper, 2000), an e-commerce model, a number of stages and layers of maturity are proposed (Figure 1), from infancy to maturity: promotion, provision, and processing. During the promotion stage, companies start simply by establishing a presence on the web. In doing so, they provide basic information covering business scope and post news relevant to their operations; some use animation and multimedia to draw visitors' attention toward an important promotion offered. Users, however, cannot send anything to the site and can only receive information from promotion websites.

The second stage of website development (provision) is dynamic and offers users the functionality of sending and receiving information. This involves value-added links, access to search engines, and even choices of languages. More complex applications are also embedded as integral components of interactive websites. Customers or visitors can search for information regarding products and prices. They can also register online and take part in message boards. Interactive websites encourage and entice visitors to inquire, request, complain, challenge, or make recommendations.

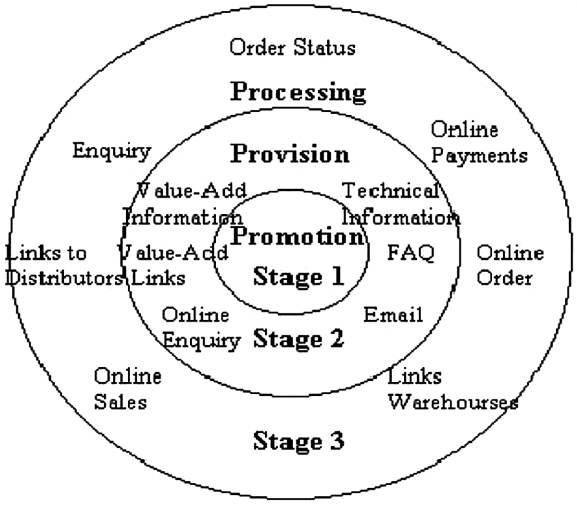
In the processing stage, customers play the most influential role. One of the main utilities here is customer relationship management, from initiation to maintenance. Other electronic services such as online orders or inquiries are all completed through websites. In this layer the company creates an integrated function.

The reworking of the MICA model, or extended version, provides an increased number of layers within the three main stages with the aim of deepening the study of processes in terms of functionality and sophistication of the applications of e-commerce (Doolin et. al., 2002; Hashim et al., 2009; Karake & Shalhoub, 2007).

In the research, each website was evaluated and assessed. In total, 49 variables were defined; their composition differed from the MICA model. In fact the variables used in the study resulted from the

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Figure 1. The model of internet commerce adoption (MICA)
Source: Burgess, Cooper, 2000



adaptation of ideas from several authors who had previously published on the tourism sector (Pesonen & Palo-oja, 2010; Ting et al., 2013). This study covered a sample of websites in a group of developing economies for the first time: Africa nations (specifically Kenya), Brazil and India. The 19 websites (15.8% Brazilian operators, 31.6% Indian and 52.6% African) were evaluated in December 2013. The sample was drawn from various sources, including search engines (e.g. Google) utilising keyword searches using the names of countries in which slum tourism is prevalent[1].

Comparing the sites, we built a positioning map of the tour operators (Figure 2) in terms of market orientation. The questions about the sites were: the structure and navigation of the site adequate. The site reaches its communication objectives. The functions of the site are correct. The information content is appropriate to the purpose of the site. The operation of the site is well managed. Is it easily accessible to all. Although the technology of the web can allow users with little computer experts to realize in short time sites elementary, the design of professional sites, such as sites of companies or institutions, can be a very complex process. The research showed that all of the websites under examination were in the promotion and provision stages and only two were in the processing stage. One of this two was *Reality Tours And Travel*. A case study has become frequently used in the business context to describe leading industry cases as role models to increase success. Given the uncommon practical, and in turn theoretical, knowledge about businesses implementing technology for experience creation to date, the adoption of a case study was significant to gather the necessary practice insights, explain and clarify current practices. The adopted case study method, in particular was explanatory due to the nature of the research topic. Explanatory case studies offer the opportunity for explaining a case in a more understandable and meaningful way (Yin, 2012). The case study method is often criticised for the lack of objectivity. However, in comparison with other types of social science research methods, the case study method has wider validity for producing research based on issues relating to human behaviour (Merriam, 2014). The case study *Reality Tours And Trave*l was selected based on three main defined criteria. First, the company had to be embedded in the tourism and hospitality context and second, it had to represent a

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best practice example by providing evidence for the current successful realization of slum experiences as demonstrate from travel reviews via Tripadvisor. The third, *Reality tours and Travel* is one with the major results after the application of eMica model.

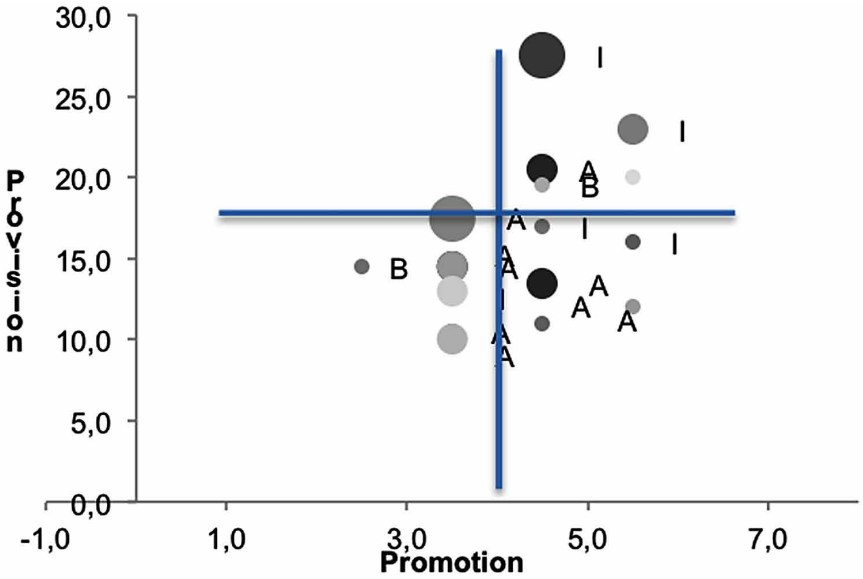
A Map of Slum Operators Websites

The map is based on two main dimensions: promotion and provision (variables detected in the two stages of the eMica model). These were also given a score for a third stage (processing), measuring the size of the point identified by the two previous measures.

Firstly, the concentration of sites near mid to high values for both stages is evident (x=4.2; y=15.7). The finding was: few tour operators that fully exploit the potential of the web to match demand and supply and to contribute to slum tourism promotion.

It was possible to hypothesise three sets of strategic behaviour. A first group is formed by a set of organisations that does not seem to attribute any importance to Web strategy. In this group, the levels of provision and promotion do not reach high scores. The sites appear as a presence on the Web with no particular goals (as basic information is not provided). There is a second group of sites among which the home page is dedicated to slum tourism and which are fairly complete from the point of view of information; the levels of interactivity reach discrete scores. The presence on the Web seems based on information content of a good quality, sometimes aimed at different users with respect to technological innovation. Finally, there is a third group of organisations which is very small (two sites), where in addition to levels of promotion and provision reaching satisfactory results, business transactions were also practised which gave international promotion to slum tourism. These operators have voluntarily designed a strategy behind the site and the use of the Web as a tool for image promotion and communication, as well as a vehicle of information for the market.

Figure 2. Map of slum tour organisations (A= African sites; I= Indian sites; B= Brazilian sites)
Source: Privitera, 2015



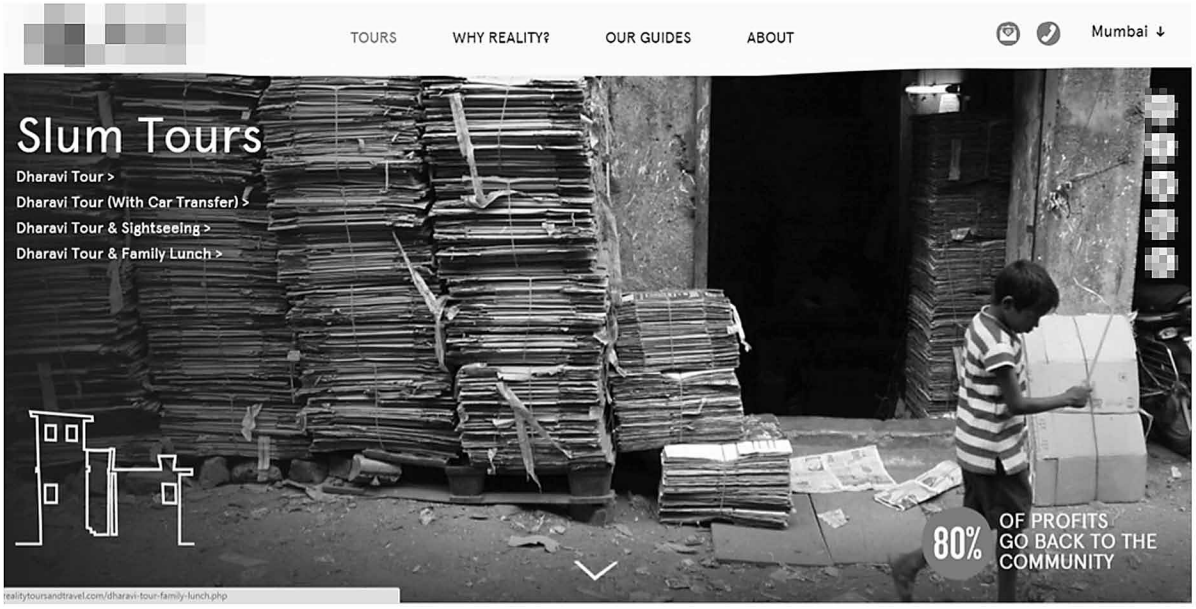
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Some Empirical Evidence From a Case Study

The focus is to study the *Reality Tours and Travel* website (Figure 3). The goal of the *Reality Tours and Travel* is to provide authentic and thought-provoking local experiences through slum tours and to use the profits to create change in local communities, to promote cross-cultural understanding and local development. Their most famous tour takes people around the industrial and residential areas of Dharavi in order to breakdown negative stereotypes about slums and raise funds for community projects. 80% of the profits from the tours are used to fund local education projects through their sister-NGO Reality Gives.Reality Tours & Travel was founded in 2005 by Chris Way and Krishna Pujari. Chris Way, originally from England, moved to Mumbai in 2004 in order to bring slum tourism to Mumbai. Inspired by favela tours in Brazil, Chris wanted to use slum tours in India as a way to raise awareness about life in slums and to raise funds for community projects. Despite only having 367 visitors in 2006. The big break came when Lonely Planet included them in their 2007 guidebook. By 2011, Reality Tours was welcoming nearly 10,000 annual visitors into Dharavi. Reality currently runs six programs and supports eight others in the fields of education, health and livelihood. In 2011, Reality Tours started offering tours in South Mumbai with the creation of the Public Transport, Market Tours and Night Tour. They also made a first move outside of Mumbai with our 1 and 2 day village tours to Chinchoti. In 2013, they added an early morning Bicycle Tour and a Street Food Tour. In the summer of 2014, Reality Tours expanded to New Delhi and began working with the New Delhi slum, Sanjay Colony, which is located in the Okhla Industrial Area, India's largest industrial area.

The web site of *Reality* resulted with high scores located within the provision stage, particularly has numerous links to further information such as prices, awards and certification, photos. This result

Figure 3. The web site of Reality Tours & Travel
Source: www.realitytoursandtravel.com (accessed May 2015)



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is supported by data of Rolfes (2010), where reports that the majority of operators intend to present an authentic image of slum, favelas to show the everyday and real life also to correct the public insight of these places, which is dominated by crime, violence. Also ethical information were ranked at the high position. The tour company have to work to economic aims but some of them remarked using a share of their profit to support particular projects in the local communities. Reality Tours and Travel started its operations in Dharavi in January 2006. Since then, most of the work of the Reality Group has been for the benefit of the Dharavi community. After, as Reality Tours and Travel expands its tours (Delhi and multi-day tours of Kerala and Rajasthan) they are also expanding projects to local communities in these areas.

Applying the eMica model at layers three and four of stage provision, the value-added site became increasingly interactive and included integration of social media (e.g. Facebook, Twitter) and to give virtual trips with many photos. Although the degree to which site were linked to other sites was satisfactory, the website did not include sitemaps or the date on which information had been updated. The site highlights travel reviews. Word of mouth marketing is very powerful this is the most frequently used source of information by consumers when booking or buying travel. Howewer, visitors tell about the best services they received, in the section "feedback".

An example:

From International Visitors

An essential part of a visit to India. The most thought provoking thing I have ever seen. Compassionately done with 80% of profits going to the slum. A real eye opener! (wwww.realitoursandtravel.com, May 2014 via TripAdvisor).

However, the incorporation of higher levels of functionality such as blogs was not evidenced in the site evaluated.

A significant finding is tourists to make bookings online and also buy the slum tours; generally on the websites of slum operators the potential client could fill in an inquiry form determining availability of tours. In the site is not present offered discussion forums; it had not a currency converter or others languages than English or meteo. These findings are surprising, especially since these organisation is geared towards promoting internationally orientated businesses like slum tourism. A point of weakness is the description of the team guides. An example from the site:

Krishna, co-founder of Reality Tours, is the tour guide for all of our multi-day tours. Born and raised in India, Krishna makes friends wherever he goes – he's your connection to the locals and will help you experience the "real" India all throughout your journey.

DISCUSSION AND PROSPECTS

There no doubt an important information channel is internet and the website's attractiveness of the operators. There are more and more studies about web site marketing effectiveness in tourism but it seems clear that slum tourism operators, like all operators, could benefit from good marketing of their products. There were no mistakes made regarding the identification of features that could attract tourists

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if a web strategy is developed. The entrepreneurial behaviour dynamics makes the analysis of websites and complex marketing tool. The transferability of finding highlighted is influenced by the specificity of studied context in relation to the product as slum tourism.

As the design and maintenance of an electronic marketplace on the web about slum tourism is still in relative infancy, there is limited knowledge for businesses. The results of the map can be interpreted as showing that the slum operators analysed are in order to learn and understand. Slum tourism represents a very actual concept not only in promoting the poverty communities values, but also in developing a new dimension of the tourism in a larger context of global change. A few of these organizations had strategies to rapidly develop and incorporate poverty tourism features into existing mainstream tourism plans. Slum tourism is not and has never been a political priority so the consequences is hard for the private small operators also for a web strategy. *Reality tours* is a good example but tourists products cannot be delivered without a strong distribution network with others operators as hotels, transports, institution, etc.. Since tour operators have the know-how in organising holiday travel, they are heading towards demonstrating their ability in adapting to new market trends. It is evident that the future of eTourism, which supported by Buhalis et al. (2011) will be focused on consumer-centric technologies that will support organizations in interacting with their customers dynamically. Howewer, the case study demonstrates the importance to be attractive according to the criteria used. Multimedia is also one of key area of technological development, in fact photo and short video to provide a tangible sense of place. It is here that *Reality tour*s operator have the opportunity to improve his offering distinct. It need to be borne in mind in this regard that tourists seek extensive travel information on a destination's website. The internet allows people to interact with the virtual tours so the experience on the web could communicate a sense of what the tour is like.

The results of the present study provide some guidelines for improving the possibilities of a website of slum operators. Yet they need of continual monitoring of development, functionality and more sophisticate. The eMica model displays the requirements and processes of technologies necessary for personalized experiences to be facilitated. In contrast to traditional static information collection from the consumer to the company and the one-way experience delivery from the company to the consumer, smart technologies have opened more dynamic service encounters, in which experiences are co-created in an agile manner. The integration of technologies for the creation of personalized experiences is critical for businesses to remain competitive in today's dynamic market place. This is of particular interest to the tourism and hospitality industry, in which commoditization, competition and high customer expectations drive the need for differentiation (Peterson 2011). Innovative technologies will support interoperability, personalization and competitiveness respect others tourist operators. It's important to slum wholesalers more education and training to optimize adoption on the Internet. Internet marketing and website design is important for all travel companies. In reality, it might not be the case as different companies have different marketing strategies. Some companies can emphasise on traditional brochures to reach their target markets whereas some use book guide or other media as a marketing channel.

The results of the study allow a gainful contribution to the promotion of slum tourism. It's true the potential opportunities for local development by enhancing tourism in slum, it is important to realise that the poor generally benefit little from slum tourism. This analysis is refers to provide managerial implications and the point of view is the perception of websites and specially of a case study. Existing market competition becomes ever more intense with the involvement of increased numbers of technology or product service providers. Existing literature and evidences demonstrate slum tourism can be a

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great opportunity to grow business plus online. This chapter points to is that built environment professionals with the interest and passion for advancing slum tourism plans must explore the approaches that successfully identifies, programmes and implements relevant and functional strategies. A limit of this analysis is that the results cannot be generalised because the case study is limited and exist between organisational dimensions and investments, especially in using the web to compete. Also is that tourist's opinions on their satisfaction of what was presented on the website were not included. Future research may therefore conduct tourist surveys since destination sites could be as competitive if it can attract potential slum tourists.

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KEY TERMS AND DEFINITIONS

Case Study: Documented, in-depth study about a specific situation or methodology used as a training tool.

Competitive Advantage: A superior performance relative to other competitors in the same market based on factors, like: skillful scientific and technical support of specialized knowledge, research, specific competence, innovative products, processes or new business models apply, high productivity.

E-Tourism: The use of Information and Communication Technologies (ICT) in the tourism industry. It involves the buying and selling of tourism products and services principally via internet but includes all intranet, extranet and internet applications as well as all the strategic management and marketing issues related to the use of technology.

Slum Tourism: Touristic tours to informal settlements in India metropolis. They are designed as reality tours. They focus on showing the tourists as realistic a view of real life in the slum.

ENDNOTE

[1] Examples of keywords used were "poverty tourism", "favela tour", "slum tourism", "township tourism", and "poverty tour". An other source to construct the sample was Tripadvisor.it. It is important to mention the results about the reviews on tripadvisor.it with keywords used as "favela-tour", "slum tourism India", "township tour South Africa", "slum tour Kenya". The shortresearch (accessed on the web 02/09/2015) showed 31 tourists reviews about township tour South Africa

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(CapeTown), 47 about favela tour (Rio de Janeiro), 162 on slum walk tour India (New Delhi) and only 1 on Kenya (*Tour durch Kangemi Slum*). According to Gretzel and Yoo (2008), tourists have considered online consumer reviews as an information source when planning their trips. While it is likely that other companies offering tours do exist the author contend that any others have very low online visibility (to deepen looks Privitera, 2015). It seems that so a few operators are actually selling the tours online in the studied Countries. Probably given that slum tourists often get booked into tours through hotels or traditional travel agencies, considered that the tourists' image of slum is not positive because is demonstrated that major percentage of tourists associate township with poverty and also crime before the booking of the tour (Rolfes, 2010).

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Chapter 58
Integrating Spatial Technologies in Urban Environments for Food Security:
A Vision for Economic, Environmental, and Social Responsibility in South Bend, Indiana

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ABSTRACT

Food security for the urban poor has been an important topic for both developed and developing countries over the last 15 years. Although South Bend Indiana is a city in a developed country, declining economic circumstances have caused the city to show significant urban decay somewhat similar to some cities in developing countries. In this chapter, we explore South Bend's history and economic development strategies, and review practices aimed at strengthening food security for the urban poor. The chapter documents how numerous disparate organizations have been trying to help alleviate urban poverty and hunger, and reviews previous strategies used to foster sustainable growth and development. The integration of spatial technologies will become a key factor for promoting community social networks, participatory planning, and collaboration. The case is presented for the use of Geographic Information Systems (GIS) and associated technologies to help organizations, community leaders, local organizations, city planners, higher education institutions and the urban poor, work together to alleviate poverty and malnutrition through networking and sustainable urban agriculture.

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INTRODUCTION

The World Food Summit of 1996 defined food security as *"when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life"*. Food insecurity is defined as, *"a household-level economic and social condition of limited or uncertain access to adequate food"* (World Health Organization, 2015). The United States Department of Agriculture (USDA)'s definition of food security is, *"access by all people at all times to enough food for an active, healthy life* (USDA, 2015)*."*

ECONOMIC PROFILE: SOUTH BEND (2015)

The city of South Bend is considered the economic and cultural hub of the greater seven-county region known as Michiana, Indiana in the United States of America. The Chamber of Commerce of St. Joseph County, Indiana defines Michiana as St. Joseph County and "counties that contribute at least 500 inbound commuting workers to St. Joseph County daily." Those counties include Elkhart, La Porte, Marshall, St. Joseph, and Starke in Indiana, and Berrien and Cass in Michigan (Wikipedia, 2016). South Bend is the fourth largest city in the state, with a population of 101,190 (Indiana Demographics, 2016).

The 2015 unemployment rate in St Joseph County was 4.8%. The top three employers came from education [Notre Dame University], health care [Beacon Health System], and K-12 Public Schools [South Bend Community School Corporation] (South Bend Region Economic Development, 2016). There are concerns over the ecological unsustainability within some areas of the city. There is also growing inequality among the urban poor. The big issue is to identify possible remedies for inner city poverty in South Bend, knowing that the gap in the wealth among American households is more extreme than at any time since the Great Depression (Matthews, 2014). Seeking solutions for these problems may take many forms. One way is to explore pathways towards economic growth through urban sustainable agriculture. It is also instructive to review trends that are currently occurring in developing countries.

POVERTY AND SUSTAINABLE DEVELOPMENT WORLDWIDE

There seems to be much programmatic interest about living standards and health among neighborhoods in developing countries, but very little in developed countries. Researchers have indicated that population growth will be concentrated in cities and towns by 2030 (Montgomery & Hewett, 2005). This statistic is supported by the United Nations Department of Economic and Social Affairs world population and distribution research data, which shows that 66% of the world's population would be urban, with North America currently having 82%.

At the 2012 Rio+20 meetings, political leaders acknowledged that there were many challenges to sustainable development, and reiterated that many of the world's poor depend on rapidly disappearing and fragile biodiverse ecosystems (Chappell, et al., 2013). The United Nations department of Economic and Social Affairs stated that there are more than 1 billion people living in extreme poverty and income inequality worldwide. As a result, inadequate and unsustainable consumption and production patterns exist, but at huge economic and social costs (DESA, 2013).

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URBAN FOOD SYSTEMS

The term "food system" describes the complex and interconnected activities of agricultural food production, processing, marketing, consumption, and disposal. It is an emerging discipline that brings together scientists and humanists to help address the cultural, social, ecological, physical, ethical and political aspects of food (Berman, 2011). According to Berman (2011), there is no single accepted definition for local food systems, but it is often defined as an area within a 400-mile radius of food origin. The scale of urban agriculture can vary from less than an acre of land worked by a handful of people to several acres.

Simply put, urban agriculture is growing or producing food in a city or heavily populated town or municipality. Producers vary from individuals, friends, non-profits, neighborhood groups and so forth. Reasons for production also vary from sales to restaurants, farmers' markets and donations to local food kitchens and churches. Urban agriculture increases access to locally grown food, and reinforces the importance of community and culture. In short, it is the front line of the food system (Greensgrow, 2016)

Urban Poverty in America: A Brief Overview

In his book about the causes of urban poverty in 1987, Harvard Professor, William Julius Wilson argued that changes in the structure of the U.S. economy were the primary drivers of increased social and economic dislocation of the urban poor. As the American economy shifted from predominantly manufacturing to service-driven, the urban underclass was severely impacted. According to Wilson, joblessness, low socioeconomic status, social isolation, impoverished neighborhoods, low education, lack of community safeguards, resources, and support were typical features of African-American urban communities. It wasn't a cultural problem, but a problem of isolation from community and necessary resources. Discrimination facilitated the persistence of an urban "underclass." (Wilson, 1987).

Urban Sustainable Agriculture: Examples Across the US

Agriculture in the United States has been in social and economic turmoil for over two decades while Urban Sustainable Agriculture and Community Supported Agriculture (CSA) has been gaining in popularity. We can trace CSAs from the 1960s in Japan, when women who were frustrated with the pesticide laden, process prepared, imported food formed an alliance with farmers to supplement their food needs from locally grown, nutritious, organic food. The alliance was known as Teikei, or partnership—a more detailed/literal Japanese translation is "food with the farmer's face on it." Teikei therefore was born out of the rejection of conventional agriculture, on grounds of social, environmental, and economic justice in addition to a simple desire for fresh, quality food (Schnell, 2007) (Henderson & Van En, 2007). The concept eventually made its way to the United States.

Farmers, consumers, and activists in the sustainable agriculture community in Pennsylvania learned to exploit ruptures in the conventional food system and developed new forms of food provisioning in local economies. The partnership has aided in local economic development and poverty alleviation, and demonstrated that this alternative model of food production and consumption has encouraged the rise of urban gardens all over the nation (Trauger, 2009).

In May 2000, Greenpoint Manufacturing and Design Center (GMDC) embarked on a $6 million development of The Greenpoint Wood Exchange—a rehabilitation of an 80,000 square foot former bowling alley building at 810 Humboldt Street Brooklyn New York, and built a rooftop garden. The rooftop

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accommodates a 15,000 square-foot hydroponic greenhouse that produces over 100 tons of food per year and supplies year-round produce to nearby grocery stores and restaurants (GMDC, 2015).

The Will Allen organization, Growing Power, designed a system of greenhouses and farm locations around Milwaukee that divert and compost more than 44 million pounds of food waste per year from nearby households, beer breweries, coffee shops, and even corporations like Walmart. The organization also produces one million pounds of organically-grown food each year (Kumar, 2015).

In 2011, Noah Link and Alex Bryan built an urban farm in Detroit Michigan known as Food Field that offers a CSA (Community-Supported Agriculture) service. Their goal is to create an alternative to the corporate food system. Local residents enjoy the sustainable produce in weekly CSA boxes containing salad greens, mulberries, and other food items. Food Field now has an aquaponics system for raising Catfish and Blue Gill. The farm also raises chickens and ducks for eggs (FoodTank.com, 2013).

The Distributed Urban Farming Initiative (DUFI) in Bryant Texas transformed vacant lots to produce healthy food. The goal is to build gardens in empty spaces, inspire Bryan residents to eat healthy food, and drive entrepreneurship and tourism. The initiative has been able to successfully grow broccoli, cauliflower, cabbage, and lettuce on raised beds and pallet gardens. DUFI has been working hard to reconnect the Bryan community with the food system (DUFI, 2015).

The Chicago Council on Global Affairs published a report highlighting the importance of urban food security, and offers an action plan for addressing urban food security and nutrition (Lee, 2013).

What is known about many urban centers in the US is that healthy, safe, nutritious food at affordable prices is difficult to find (The Chicago Council on Global Affairs, 2013). In many ways, the City of South Bend Indiana is no different from other cities in its quest to feed its growing population. Although over the past few years there have been efforts to address poverty and malnutrition through community gardens, much more collaborative work is needed to make these efforts sustainable.

URBAN SUSTAINABLE AGRICULTURE IN SOUTH BEND, INDIANA

A report published by the American Planning Association (APA), provides guidance for supporting and expanding urban agriculture. Like Chicago, Cleveland, Detroit, Missouri, Milwaukee, Philadelphia, among others, South Bend is an old industrial city, and possess acres of vacant abandoned city lots. These areas are potential centers for urban agriculture initiatives (Hodgson, Campbell, & Bailkey, 2011). Currently, the most popular form of urban agriculture in the city is community gardening, which contributes significantly to developing social connections, capacity building, and community empowerment. Our investigation seeks to find out how much collaboration exists to support important social networks to help in closing the gap in the wealth among households, and in the satisfaction of food needs.

There is a growing awareness about the role of urban sustainable agriculture in the context of food security and poverty alleviation in South Bend Indiana; however, its implementation is very informal. The local government verbally supports the grassroots efforts of the urban agricultural movement in South Bend. However, the city has yet to incorporate its support into the City Plan (Radican, August 2010). This makes urban agriculture vulnerable, and may also jeopardize its sustainability. Nonetheless, urban sustainable agriculture in the city seems to be steadily increasing. There is also a growing demand for a greener city, social justice, job security, and increased wildlife restoration.

Currently, there is a public listing of active community gardens and food services for individuals and families at risk in South Bend. The original listing included contact persons, telephone numbers,

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and emails (these have been removed from the Table 1.). In order to view the distribution of the gardens and food services within a Geographic Information System (GIS), we geocoded the addresses by assigning geographic coordinates to each location (latitude/longitude). This made it convenient to view other spatial entities such as roads, parks and schools, to understand trends, patterns and distribution in relation to each other.

Table 1. Distribution of community gardens in South Bend IN

Food Entity	Address	Zip	Latitude	Longitude	Description
Corvilla - Bulla	18443 Bulla Road	46637	41.7043715	-86.2273586	Garden
Corvilla - Roelke	1318 E Roelke Dr	46614	41.617287	-86.233396	Garden
Corvilla Office Unity Garden	3231 Sugar Maple Business St.	46628	41.720718	-86.2975079	Garden
El Campito Unity Garden	1024 Thomas St	46601	41.6741565	-86.2676142	Garden
Garden of St Therese	915 N Olive Street	46628	41.6873507	-86.2858679	Garden
Haircrafters Unity Garden	602 Lincoln Way East	46601	41.6702888	-86.2449995	Garden
IHC Unity Garden	1901 W. Western Ave	46619	41.6731319	-86.2800307	Garden
IUSB Unity Garden	1700 Mishawaka Ave	46615	41.6800027	-86.2401604	Garden
Jewish Federation	3202 Shalom Way	46615	41.678144	-86.205174	Garden
JJC Unity Garden	1001 S. Michigan St	46601	41.6640819	-86.2522822	Garden
Kroc Center Unity Garden	900 W. Western Ave.	46601	41.671611	-86.2644002	Garden
LaSalle Square	3701 Prast Blvd	46628	41.6863911	-86.3027314	Garden
Madison Square Unity Garden	1230 E Madison Street	46617	41.6806026	-86.2337549	Garden
McKinley School	228 E McKinley Ave	46615	41.6804295	-86.1814233	Garden
Monroe Park	608 Carroll St.	46601	41.6693708	-86.2492739	Garden
Morningside Unity Garden	333 W Colfax Ave.	46601	41.6781427	-86.2571334	Garden
Muessel Primary Center	1020 Blaine Ave.	46628	41.6883679	-86.2696123	Garden
Ravina Park Unity Garden	1511 Dale Ave	46613	41.6596109	-86.239353	Garden
Red Cross Refuge Unity Garden	3220 E Jefferson Blvd	46615	41.6724718	-86.2039691	Garden
Robinson Center	921 North Eddy Street	46617	41.6880438	-86.2370864	Garden
Safe Station Unity Garden	1322 LincolnWay East	46614	41.6597928	-86.2316855	Garden
Smallest Unity Garden	528 E Colfax Ave	46617	41.6776081	-86.245224	Garden
St Peter's UCC Unity Garden	915 N Ironwood Street	46615	41.687646	-86.2184267	Garden
St Vincents Unity Garden	520 Crescent Ave	46617	41.6838757	-86.2460485	Garden
Unity in God Garden	646 LaPorte Ave	46628	41.6831259	-86.2739902	Garden
Zion Unity Garden	224 E. Jefferson Blvd	46617	41.6731176	-86.1806002	Garden
Notre Dame Ctr.	1045 W. Washington St.	46601	41.6762414	-86.2673326	Garden
Beacon Triangle Unity Garden	1345 N Michigan Street	46617	41.6924393	-86.2528915	Garden
Eddy St Eberhart Enviro Garden	317 S. Eddy Street	46615	41.6730586	-86.2372438	Garden
Walnut Street	421 S. Walnut Street	46619	41.6716617	-86.2726509	Garden

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Table 1. Continued

Food Entity	Address	Zip	Latitude	Longitude	Description
Walnut Street	423 S. Walnut Street	46619	41.6716618	-86.2726732	Garden
Hear Our Tears	2421 Bertrand St	46628	41.6815726	-86.2860361	Garden
Hope Ministries Rescue Mission	432 S Lafayette Blvd	46634	41.6712481	-86.2555248	Soup Kitchen
Center for the Homeless	813 S. Michigan Street	46601	41.6659525	-86.2527165	Soup Kitchen
St. Vincent de Paul	3408 Ardmore Trail	46628	41.6885417	-86.2990941	Food Asst.
Berean Community Service	601 W Colfax Ave	46601	41.677674	-86.2600018	Food Pantry
Food Bank Of Northern Indiana	702 S Chapin St	46601	41.6679634	-86.2625769	Food Bank
Community Food Pantry	702 S Chapin St	46601	41.6671644	-86.263539	Food Pantry
Downtown Soup Kitchen	333 N Main St	46601	41.6800648	-86.2546771	Soup Kitchen
Northeast Neighborhood Center	803 N. Notre Dame Avenue	46617	41.685896	-86.2401508	Food Pantry
Catholic Charities Food Pantry	1817 Miami St.	46613	41.6554923	-86.2372697	Food Pantry
La Casa De Amistad	746 S Meade St	46619	41.6667298	-86.28753	Food Pantry
River Park United Methodist	920 S 23rd St	46615	41.6653659	-86.2157277	Food Pantry
Little Flower Catholic Church	5419 N Ironwood Drive	46635	41.6972864	-86.2186849	Food Pantry
Needs for Neighbors	54301 Maple Lane	46635	41.7041949	-86.2159955	Food Pantry
Christ Temple Apostolic	55454 N Lexington Ave.	46628	41.6869748	-86.3148238	Food Pantry
Share Your Blessing	3001 W. Cleveland Rd.	46628	41.7250602	-86.2932771	Food Pantry
Clay United Methodist Church	17646 Cleveland Rd.	46637	41.7229223	-86.2758369	Food Pantry

A review was undertaken of other aspects of urban agriculture that are being used to raise awareness, and inform neighborhoods, decision makers, and planners about the different types of urban agriculture that have the potential to increase household incomes, promote healthy lifestyles, and generate a distribution chain through strong community networks. The importance of GIS cannot be understated since it can transform the way people network, communicate, and collaborate to make decisions—in this case, improve the standard of living for the urban poor. The significance of GIS technology to boost ongoing initiatives by key players and stakeholders in South Bend to improve the livelihoods of the urban poor must be recognized and factored into solutions.

HISTORY AND ITS EFFECTS ON AFRICAN-AMERICANS IN SOUTH BEND

African-American historical narratives not only document the lives of enslaved people, but offer invaluable perspectives of first-hand experience and mistreatment of people of color throughout an important period of American history. After the Civil War, former slaves continued documenting their experiences to ensure social and economic progress as affirmed by the nation's leaders. The African-American History narrative in South Bend mirrors some of the characteristics of post-war slavery, but is unique in many ways. For this reason, this should not be a truncated, incomplete, or untold story. It is a narrative

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that has the "potential to evoke pride and add a level of complexity" to South Bend's black heritage and history (Andrews & Adams, 2016).

Despite its rich history, little is known about the African-American experience in South Bend, or the efforts that were made to improve the quality of life within the black community; and enhance educational and economic opportunities. The South Bend History Museum documents the life of John Charles Bryant—a descendant of one of South Bend's first African American families with portraits dating back to the 1800s. For Bryant, portraits of his grandparents and great-grand parents have special meaning because they tell the story of how against all odds the Bryant-Powell family were able to escape the south, and settle in Indiana.

John Charles Bryant's grandfather worked at Studebaker, his father worked the tables at the Old La-Salle Hotel, his mother Georgia Bryant, was an organist for 42 years at the Olivet AME church, South Bend's first established African American church. This and other narratives are intertwined with the fabric of American History .

A brief review of South Bend's history and economy reveals that like most of America, African Americans experienced a measure of discrimination in the workplace and in the community. South Bend was a hub of manufacturing fueled by the presence of the Studebaker car company and other significant industries. The 1883 South Bend City Directory lists several African American men employed by local industries such as Wilson Brothers Shirt Factory, Birdsell Manufacturing Company, Singer Sewing Machine Company and the F.P. Box Company, The Oliver Chilled Plow Works (The History Museum, 2016).

Between 1870 and 1910, the African American population increased from 73 to 640; and in 1903 when Booker T. Washington visited South Bend, he found additional opportunities for employment for African Americans at Studebaker. Unfortunately, employment for African-Americans became difficult after the end of World War I when they had to compete with European immigrants for jobs. In the early 1920s the population of South Bend Indiana was 70,983, occupying a land area of 15.4 square miles, and an average population density of 4,609 per square mile. The city was ranked 100 out of the 100 largest urban places in America (U.S. Bureau of Census, 1998).

The population of African-Americans in South Bend was estimated around 1,269 during the 1920s, and increased to 3,431 in 1930 (Robinson, 2015). Studebaker employed more than 400 African-Americans, and at times up to 700. This was considered unique for the period, as several other local companies did not employ African Americans until the 1940s (WNDU, 2010). However, Studebaker underwent financial problems and the plant ceased production in 1963. As a result, the city lost about one-third of its population, and experienced severe growth and economic problems.

During World War II, South Bend became part of the wartime employment boom. Many African-Americans were employed as factory workers, but by the early 1950s, employment for African-Americans was again on the downturn in South Bend. In spite of the unemployment challenges, the 1950s Great Migration of African-Americans from the South caused an increase in the African-American population. And by the mid-1950s, the African-American population exceeded the foreign-born population (South Bend Tribune, 2015).

Based on archived reports, there was a concerted effort to end racial policies in South Bend. For example, in 1963, South Bend Mayor Frank J. Bruggner appointed a 34-man Bi-racial Committee to study the problems of racial discrimination in South Bend. The committee met with community leaders to help eliminate, by voluntary measures, the cause of racial tension (Mayor's Biracial Committee Progress Report, 1963). South Bend also passed an ordinance (4091) known as the South Bend Fair

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Employment Practice Ordinance which prohibited discrimination in employment because of race, color etc. (City of South Bend Common Council, 1965).

In 1968, the South Bend Human Relations and Fair Employment Practices Commission endorsed open housing, thus raising the possibility of an open housing ordinance at the county level (The Reformer Newspaper Vol. 1, No. 29, 1968). In spite of these efforts, there were many examples of discrimination in the sale, rental, and financing of private housing in South Bend. One important example is the public hearing on March 19, 1963, in Notre Dame Law School Auditorium (Citizen's Fair Housing Committee of South Bend-Mishawaka, 1963)

South Bend Today

In 2011, Newsweek put South Bend on its list of America's Dying Cities, underscoring the 2.5% decline in the number of young people over the previous decade. (Newsweek, 2011). In 2014 South Bend was listed among the least happy regions in the United States by a Harvard and University of British Columbia study, taking the number 3 spot (UBC News, 2014). This was based on a survey of 300,000 people in 2009. The 2013 Gallup-Healthways Well-Being Index also lists South Bend as one of the "most unhappy" regions in the nation. The degree of unhappiness was based on a number of factors such as physical and emotional health, healthy behaviors, work environment, social and community factors, financial security and access to necessities like food, shelter and health care (South Bend Tribune, 2016).

Moreover, economists have established volumes of literature on the relationship between food insecurity and household incomes (classified by the poverty line). Researchers have concluded that food insecurity has increased dramatically in recent years, and is one of the most important nutrition-related public health issues in the U.S. (Gundersen, Kreider, & Pepper, 2011)

In 2015, South Bend's poverty rate stood at 23.9%, with almost 70% of students in the public school system eligible for free or reduced-cost lunch. South Bend also has double the national average rate of families living in poverty (Buttigieg, 2015). Crime risk statistics show South Bend to be above the US average for personal crime risk, murder risk, rape risk, robbery risk, property crime risk, burglary risk, larceny risk, and automotive theft risk. Assault risk, however, is lower than the US average (Point2Homes, 2016). The mayor of South Bend acknowledged that there were many excellent organizations working on problems, but needed partnership with the city.

In spite of these troubling statistics, the city of South Bend was ranked third in the nation for America's Best Complete Streets Policies of 2015 with a score of 98.2/100. This is an integrated transportation system that supports safe travel for pedestrians, cyclists, transit riders, motorists and others, within the city. The policy is one milestone encouraged in the Mayors' Challenge, a U.S. Department of Transportation initiative in which South Bend is a participant, committed to improving sidewalks, bike lanes, public transportation stops, frequent and safe crossing opportunities, median islands, accessible pedestrian signals, curb extensions, narrower travel lanes, and roundabouts (Smart Growth America, 2016).

A recent article by the South Bend Tribune discussed how it may be possible to develop, attract and keep talent so that South Bend area can compete in the modern economy. The Tribune acknowledges that at its heart, the region is still a manufacturing center, and manufacturing accounts for more than one out of every four jobs. (South Bend Tribune, 2014). Young, talented people are looking for quality of life, and will choose a community with a rich lifestyle over a good job elsewhere. The city knows that young people are more likely to locate near "livable" communities with bike trails, public transportation,

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and vibrant downtowns among others. South Bend agreed to work together with institutions of higher learning to include significant grass-roots involvement in visioning such a future.

As we fast-forward to the year 2016, we believe it is important to review a 30-year old problem, and carefully examine the issue of how food and other essential needs can be better satisfied among the urban poor in South Bend Indiana, and how we can use Geographic Information Systems Technology (GIS) to analyze proximities, adjacencies, intersections, and containment issues to help solve urban poverty.

For example, one may wish to know how close a community garden might be to a landfill in an urban area; or city planners may want to identify roads that pass within a certain distance of a city park. These are proximity issues. Questions such as, what is the shortest street network route to all community gardens are important proximity questions for understanding distance relationships, and are applicable for both developing and developed countries. Adjacency is generally about objects that are zero distance away from each other—in short, they share at least one common boundary.

An intersection analysis calculates the geometric intersection of features on a landscape. A simple analysis could be which river or stream crosses a major road—at what specific location; or which trail passes through a particular parcel in the city. The analysis does not limit itself to linear objects, but may extend to point on point analysis. In other words, where are the houses (point location) that have gardens on the lot (another point location) - that is considered an intersection of two points. Containment analysis answers questions such as which gardens are within which neighborhoods. These are very important spatial questions that we can query on-the-fly, and use for decision-making related to urban poverty.

Facing the Realities in South Bend: There Is Hope

Many organizations work towards the goal of a sustainable South Bend. They include the Food Bank of Northern Indiana, Unity Gardens, Young Professionals Against Poverty (YPAP), City of South Bend Division of Sustainability, Center for a Sustainable Future, Links Incorporated (South Bend Chapter), The Civil Rights Heritage Center, United Way, 100 Black Men, and a few others can be located using the University of Notre Dame's link http://green.nd.edu/sustainability-in-action/community/.

These disparate groups tend to work independently, but would be more effective if there are stronger collaborations. For example, the Food Bank of Northern Indiana works in partnership with the community to feed the hungry, increase awareness of the effects of hunger and lead programs designed to alleviate hunger (Food Bank of Northern Indiana, 2016). The Food Bank describes that the rate of hunger insecurity in Northern Indiana as a silent epidemic, and sees the challenge for the city of South Bend as addressing food and nutritional security in a sustainable way given very high poverty levels (Foodbank of Northern Indiana, 2015). Their programs include Healthy Choices Market, Senior Bag Program, Mobile Food Pantry program, and Food 4 Kids.

The Unity Gardens, a 501(c)3 Non-profit in South Bend, is committed to improving community health by increasing accessibility to fruits and vegetables by developing a local food system. The goal of Unity Gardens is community building through a "framework of gardens". The gardens would not only provide healthy food for those in need, but also educate the community on how to grow, and utilize healthy food. The overall mission is to improve community health which includes access to locally grown fruits and vegetables, education on food preparation and consumption, increasing social capital, and opportunities for the disadvantaged (Unity Gardens, 2009).

Young Professionals Against Poverty (YPAP) was founded in 2006 by Steve Camilleri and Matt Money. They wanted to raise awareness about poverty in South Bend, and brought young professionals

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together to help organize events and raise money geared towards improving the quality of life. Steve Camilleri is also the Executive Director of the Center for the Homeless which has been endorsed by the US Department of Housing and Urban Development (HUD). The Center has provided more than 700,000 safe nights and over 1.5 million meals to more than 44,000 men, women, and children since opening in December 1988. The focus is on providing life-changing services to their guests (Center for the Homeless, 1988).

South Bend's chapter of Links Incorporated is an organization whose mission is to promote and engage in educational, civic, and intercultural activities in order to enrich the lives, and to work together toward achieving community goals. The organization's vision is to eliminate disparities by reducing barriers to services through advocacy, education, and service. Their goal is to empower communities and increase the number of sustainable and measurable programs; expand collaborative partnerships; and identify communities with greatest needs (The Links Incorporated, 2015).

The Civil Rights Heritage Center (CRHC) was established on the campus of Indiana University South Bend for the study and documentation of civil rights history. The Center engages in scholarly inquiry, student research, and community education, and is dedicated to creating partnerships with the state and local communities and offer leadership in creative solutions for 21st-century problems. (Civil Rights Heritage Center, 2015). The center sponsors group discussions related to equity and social justice, wages and income, access to healthy food and barriers to employment, among others.

In 2016 the center hosted a number of significant events. Some included community lectures on asset building, and civil rights. Other events were partnerships, for example, the center partnered with the University of Notre Dame to host a Wikipedia Edit-A-Thon to teach people how to become a Wikipedia editor and use proper guidelines for writing articles and finding resources for researching and writing about South Bend's history.

The Center also celebrated the history and experience of African Americans in South Bend through stories from the Black LGBT experience, and explored the significance of open-access, digital resources using The Black Press Research Collective (BPRC). It hosted a scanning event to preserve and share photographs and documents that tell about black history and the black experience. Guests were encouraged to bring artifacts to the Civil Rights Heritage for scanning and inclusion in Michiana Memory, the free, online archive (http://michianamemory.sjcpl.org/). In celebration of Women's History Month, the Civil Rights Heritage Center part sponsored a public talk on the topic "A Band of Sisters: Fighting for Employment Equality from the Assembly Line"—the story of a small group of blue-collar women who, in a class action lawsuit, uncovered endemic gender discrimination in South Bend.

South Bend Reconnecting People Through Sustainable Programs

Recently the city of South Bend has been working in conjunction with the Environmental Protection Agency (EPA) and participating in their program called the Food Recovery Program (FRP), which helps prevent food waste by diverting leftover food from local restaurants to impoverished people in need (Rivest, 2015). There is also renewed interest in traditional food systems in South Bend. In an attempt to reconnect land and people through sustainable gardening, Indiana University South Bend (IUSB) is currently conducting research on urban sustainable agriculture. IUSB has developed agricultural courses focusing on sustainable local food production techniques, and is well on the way to developing a Sustainability Showcase—an area on campus dedicated to demonstrating urban sustainable practices.

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The Showcase would contain a plaza/entryway featuring native plants, a zero impact home with the capacity to continue to showcase new home building design and products. It would also serve as a site for constructing Tiny Homes, and invite community participation for the regular construction of this new concept to increase accessibility to low cost housing in South Bend. The showcase will be open to area schools, neighborhood groups, non-profits, and so forth; all working together to solve social, economic, and environmental problems in the city. It will also serve as an open living laboratory to compare best practices for urban gardening. The goal is to share information and strengthen community relationships and networking.

TECHNOLOGY: A PATHWAY TO ECONOMIC RECOVERY IN SOUTH BEND

We believe that introducing new technology may be an appropriate pathway to economic recovery and progress in South Bend. Information and spatial technologies have the potential to provide a platform for people with similar interests to solve problems in the community. These technologies can provide a technical framework for food production and act as a communications platform even in low-income communities. New technologies can be separated into two categories—sustaining, and disruptive. A sustaining technology relies on incremental improvements to an already established technology, while a disruptive technology may not yet have a proven practical application, but has the potential to significantly alter the way organizations operate (Christensen, 1997).

Geographic Information Systems (GIS) technology falls into the category of a disruptive technology. It is a location-based technology that has made people more aware of the dynamic world in which we live. It has improved our ability to interpret our environment, and understand spatial interactions. Therefore, by nature, GIS technology is adaptive, and suited for dynamic, fast-paced innovations. Many entrepreneurs view GIS as a survival imperative that creates revenue opportunities. Some companies see it as a tool to expand their markets, new products or services. Dynamic leaders are curious, and welcome a challenging future, and are constantly looking for institutional changes that adapt to "urgent" disruptive technologies. GIS technology, therefore, encourages a growth mindset—essentially welcoming change instead of fearing it. Yet, GIS technology has not been fully embraced and exploited for solving urban design and environmental problems in South Bend. Integrating GIS with urban sustainable land use planning that includes gardening is crucial for realizing the aim of food security in South Bend Indiana. The city is able to explore and exploit the potential of GIS technologies not only for monitoring the urban infrastructure, but also as an information technology which when shared at the grassroots level through participatory planning, has the potential to promote sustainable gardening and responsible land use. No other technology can provide a powerful combination of digital, mobile, social, geographic and video innovations as tools for investigating different land use options as with GIS. In the case of South Bend Indiana, existing community collaborations provide a solid network of private organizations and individuals, community leaders, government institutions, and educators, to develop urban food networks and related economic activities that fit local realities.

GIS in South Bend, Indiana

Developed in the late 1960s, very few planning departments could afford a GIS because of the prohibitive cost of hardware and the limited capabilities of the software. But by the 1980s, GIS technology was

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considered the formalized computer-based information system for effective decision-making in urban planning (Han & Kim, 1989). South Bend's GIS department has been using ArcGIS software since 1999 to manage geographic data, and generate maps for different city projects. The city uses GIS to provide services such as; hot spot mapping of crime, tracking of basement flooding, utility inventory and similar others. The city also makes data and information available via an on-line map server (ESRI, 2011). Currently, the system provides basic information about property within the city, and maps include aerial photographs (orthophotos), parcel boundaries containing parcel identification number, property address, and property owner information (City of South Bend Indiana, 2016).

Among the geographic layers that are available for download from the City of South Bend's website are:

- Demographic Data
- Vacant and abandoned properties
- Street centerlines
- Public facilities
- Social services location
- Parks
- Businesses

These information layers are valuable for environmental research, public safety, marketing, etc. (Government Technology, 2016). It is now possible for organizations in the city to invest their time to perform tasks that were previously impractical or impossible without the current datasets. For example, modeling, predictions, and analysis can now be done through dynamic map overlays of physical, cultural, and economic features within the city landscape. GIS technology will enhance public participation, promote greater collaboration among public agencies, and would also be useful to city planners and educators who focus on geographic literacy/education and GIS mapping.

In the quest to acquire data for spatial analysis, several problems were encountered. Important metadata for datasets were missing or incomplete. Online map servers run by the city allowed minimum analyses. Data export was also limited to graphic formats. When GIS data was available for download, they were usually from other sources such as the Census Bureau which, because of scale, did not satisfy the desired unit of analysis.

EVALUATING POPULATION AND INCOME DISTRIBUTION IN SOUTH BEND

South Bend is the largest city in St Joseph County, Indiana, and occupies 457.9 square miles. South Bend's population distribution per square mile was 584.4; with a total population of 101,190 in 2014. This is a 0.2% rise in population from 2010 (STATSINDIANA, 2015). Table 2 shows that the 2015 South Bend population dropped to 101,168 with a race distribution of 60% white, 26% African American, 12% Hispanic or Latino. These three races account for more than 98% of the population. Source shows small variations in population distribution[1].

The 2015 median age in South Bend was 33, with average income for people within the age group 25-44 being $36,620 (Suburban Stats, 2016). Family income distribution when compared with the State

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Table 2. 2015 South Bend population by race

Race	Population	% of Total
Total Population	***101,168***	***100***
White	61,199	60
Black or African American	26,906	26
Hispanic or Latino	13,116	12
Asian	1,318	1
American Indian	478	Below 1
Three or more races	313	Below 1

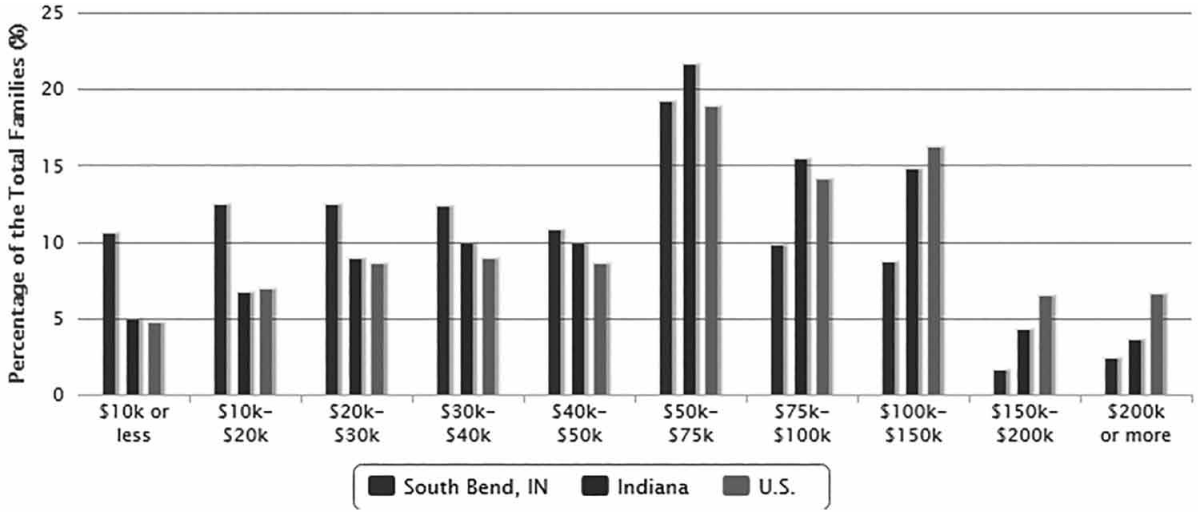
Source: suburbanstats.org

of Indiana and the U.S show that above $50,000 family income in South Bend is lower than the State of Indiana, and the U.S (USA.com, 2016). However, when we compare family income below $50,000, South Bend is higher (see Figure 1).

Poverty by Zip Codes

Sixteen zip codes are included in the city of south Bend; 46601, 46613, 46614, 46615, 46616, 46617, 46619, 46624, 46626, 46628, 46634, 46635, 46637, 46660, 46680, 46699 with some zip code routes intersecting the city boundary (zipcode.org, 2016). Population, race, and income characteristics for Whites, Blacks, and Hispanics (the largest three groups) are presented in Table 3 below, for each zip code[2]. Zip codes 46601, 46613, 46616, 46617, and 46619 show the highest poverty rates.

Figure 1. Family income distribution



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*Table 3. Poverty level data was obtained from zipatlas.com * (NA=Not Available)*

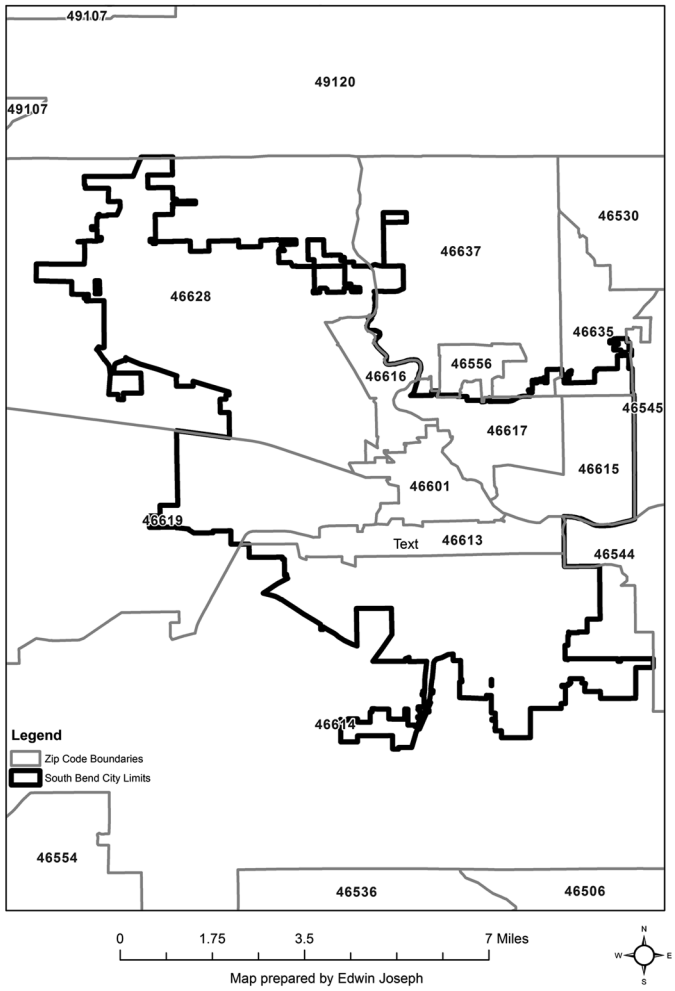
Zipcode	Average House Value USD$	Median Age	Income per H/hold USD$	% Below Poverty Level	% White Pop.	% Black Pop.	% Hispanic Pop.	% of Total Pop.
46601	70,300	33.1	17,434	39.98	43.25	48.49	7.29	92
46613	48,300	30.10	30,717	25.46	64.05	22.21	14.18	100
46614	93,300	41.80	43,160	8.06	91.33	4.89	2.42	99
46615	70,200	34.10	33,557	15.65	82.87	9.43	4.03	13
46616	62,800	32.80	33,449	26.82	66.49	24.95	6.91	98
46617	85,900	34.30	39,517	21.84	67.28	26.52	3.81	98
46619	60,100	33.80	33,463	20.09	59.72	24.86	18.48	103
46624	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46626	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46628	69,900	36.80	36,951	17.96	63.67	30.64	4.44	99
46634	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46635	105,400	44.70	54,296	4.69	90.93	4.49	2.24	98
46637	95,700	37.80	43,225	13.82	89.06	5.45	2.61	97
46660	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46680	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46699	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46616	62,800	32.80	33,449	26.82	3,940	1,583	460	402
46617	85,900	34.30	39,517	21.84	7,010	2,338	610	626
46619	60,100	33.80	33,463	20.09	12,250	5,789	5,911	4,284
46624	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46626	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46628	69,900	36.80	36,951	17.96	16,079	8,678	1,975	1,821
46634	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46635	105,400	44.70	54,296	4.69	5,617	800	318	429
46637	95,700	37.80	43,225	13.82	13,345	1,402	627	933
46660	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46680	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46699	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

AARP Livability Index

The AARP (American Association of Retired Persons) Public Policy Institute developed a Livability Index to measure community livability. The scores are based on affordability and access to housing, access to live, work and play, safe and convenient options for transportation, clean air and water, health, civic and social involvement, opportunities for inclusion. The 2015 livability index[3] for South Bend Indiana,

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Figure 2. Zip code map of South Bend Indiana



was 51 out of 100p (AARP, 2016). Areavibes.com has also developed livability indexes based on their opinion of important metrics. They include amenities, cost of living, crime rates, education, employment, housing and weather. The individual category scores for AARP are presented in Tables 4 – 17.

Areavibes.com Livability Index

Areavibes.com (2016) assigns South Bend a livability index of 71. This was derived from a distribution and number of important amenities such as grocery stores, other food and drink establishments, shopping malls, coffee shops, schools, parks, libraries, entertainment, fitness. The spatial distribution for these amenities is shown in Figures 3 – 12.

The City of South Bend Department of Community and Economic Development, with assistance from the Area Plan Commission of St. Joseph County, gathered data from the 2010 census and other recent

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Table 4. AARP livability index for South Bend Indiana

Category	Index
Housing—affordability and access	58
Neighborhood—access to life, work, and play	49
Transportation—safe and convenient options	55
Environment—clean air and water	50
Health—prevention, access, and quality	48
Engagement—civic and social involvement	49
Opportunity—inclusion and possibilities	47
Livability Index	**51**

Table 5. AARP livability index for zip code 46601

Category	Index
Housing—affordability and access	69
Neighborhood—access to life, work, and play	52
Transportation—safe and convenient options	58
Environment—clean air and water	49
Health—prevention, access, and quality	44
Engagement—civic and social involvement	53
Opportunity—inclusion and possibilities	44
Livability Index	**53**

Table 6. AARP livability index for zip code 46613

Category	Index
Housing—affordability and access	**57**
Neighborhood—access to life, work, and play	48
Transportation—safe and convenient options	58
Environment—clean air and water	51
Health—prevention, access, and quality	44
Engagement—civic and social involvement	51
Opportunity—inclusion and possibilities	44
Livability Index	**53**

Table 7. AARP livability index for zip code 46614

Category	Index
Housing—affordability and access	55
Neighborhood—access to life, work, and play	42
Transportation—safe and convenient options	47
Environment—clean air and water	45
Health—prevention, access, and quality	50
Engagement—civic and social involvement	50
Opportunity—inclusion and possibilities	46
Livability Index	**48**

Table 8. AARP Livability Index for zip code 46615

Category	Index
Housing—affordability and access	58
Neighborhood—access to life, work, and play	52
Transportation—safe and convenient options	57
Environment—clean air and water	52
Health—prevention, access, and quality	53
Engagement—civic and social involvement	44
Opportunity—inclusion and possibilities	50
Livability Index	**52**

Table 9. AARP Livability Index for zip code 46616

Category	Index
Housing—affordability and access	58
Neighborhood—access to life, work, and play	47
Transportation—safe and convenient options	58
Environment—clean air and water	51
Health—prevention, access, and quality	50
Engagement—civic and social involvement	45
Opportunity—inclusion and possibilities	46
Livability Index	**51**

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Table 10. AARP livability index for zip code 46617

Category	Index
Housing—affordability and access	56
Neighborhood—access to life, work, and play	48
Transportation—safe and convenient options	57
Environment—clean air and water	48
Health—prevention, access, and quality	49
Engagement—civic and social involvement	49
Opportunity—inclusion and possibilities	47
Livability Index	**51**

Table 11. AARP livability index for zip code 46619

Category	Index
Housing—affordability and access	59
Neighborhood—access to life, work, and play	46
Transportation—safe and convenient options	49
Environment—clean air and water	48
Health—prevention, access, and quality	47
Engagement—civic and social involvement	46
Opportunity—inclusion and possibilities	48
Livability Index	**49**

Table 12. AARP livability index for zip code 46624, 46626, 46628 & 46634

Category	Index
Housing—affordability and access	69
Neighborhood—access to life, work, and play	52
Transportation—safe and convenient options	58
Environment—clean air and water	49
Health—prevention, access, and quality	44
Engagement—civic and social involvement	53
Opportunity—inclusion and possibilities	44
Livability Index	**53**

Table 13. AARP livability index for zip code 46635

Category	Index
Housing—affordability and access	54
Neighborhood—access to life, work, and play	46
Transportation—safe and convenient options	44
Environment—clean air and water	52
Health—prevention, access, and quality	53
Engagement—civic and social involvement	53
Opportunity—inclusion and possibilities	44
Livability Index	**49**

Table 14. AARP livability index for zip code 46637

Category	Index
Housing—affordability and access	63
Neighborhood—access to life, work, and play	42
Transportation—safe and convenient options	45
Environment—clean air and water	49
Health—prevention, access, and quality	53
Engagement—civic and social involvement	50
Opportunity—inclusion and possibilities	41
Livability Index	**49**

Table 15. AARP livability index for zip code 46660

Category	Index
Housing—affordability and access	58
Neighborhood—access to life, work, and play	52
Transportation—safe and convenient options	57
Environment—clean air and water	52
Health—prevention, access, and quality	53
Engagement—civic and social involvement	44
Opportunity—inclusion and possibilities	50
Livability Index	**52**

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Table 16. AARP livability index for zip code 46680

Category	Index
Housing—affordability and access	63
Neighborhood—access to life, work, and play	42
Transportation—safe and convenient options	45
Environment—clean air and water	49
Health—prevention, access, and quality	53
Engagement—civic and social involvement	50
Opportunity—inclusion and possibilities	41
Livability Index	**49**

Table 17. AARP livability index for the State of Indiana

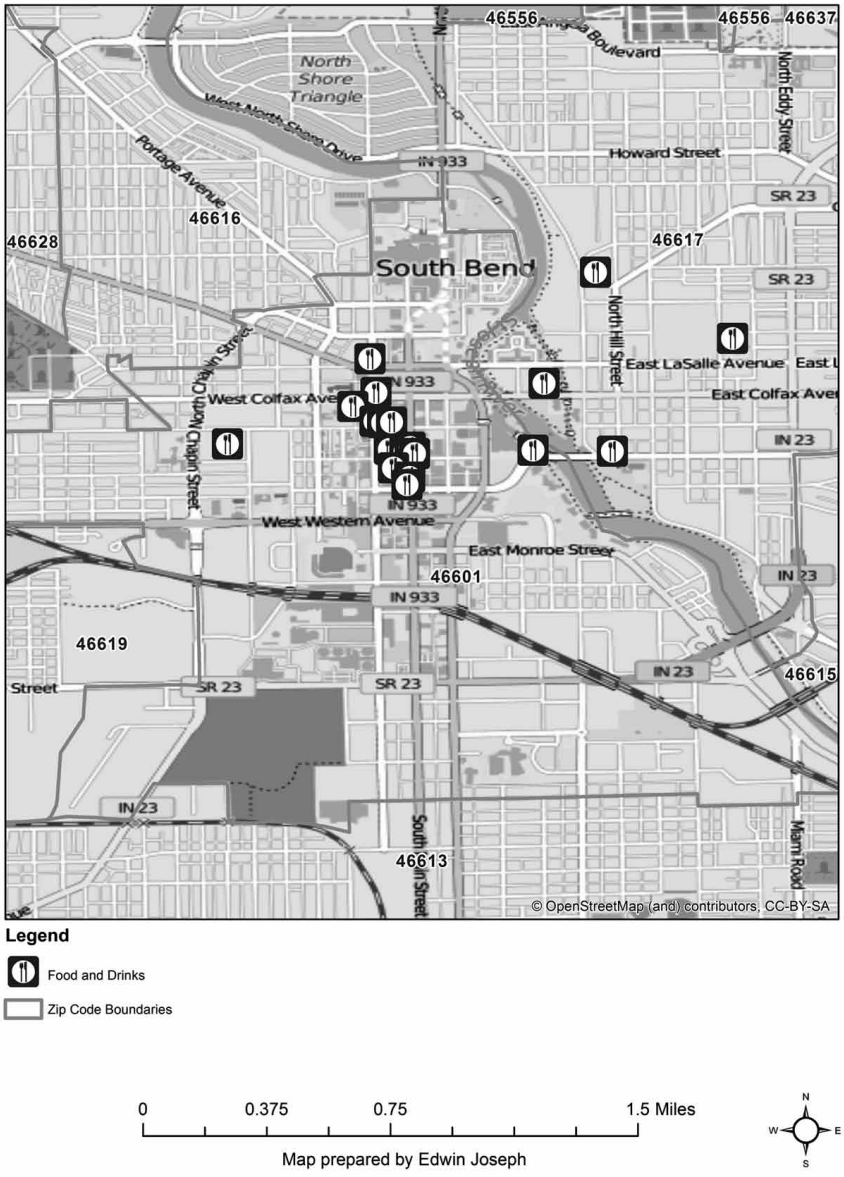
Category	Index
Housing—affordability and access	55
Neighborhood—access to life, work, and play	45
Transportation—safe and convenient options	48
Environment—clean air and water	60
Health—prevention, access, and quality	41
Engagement—civic and social involvement	47
Opportunity—inclusion and possibilities	62
Livability Index	**51**

Figure 3. Location of grocery stores
Grocery Stores—20 locations



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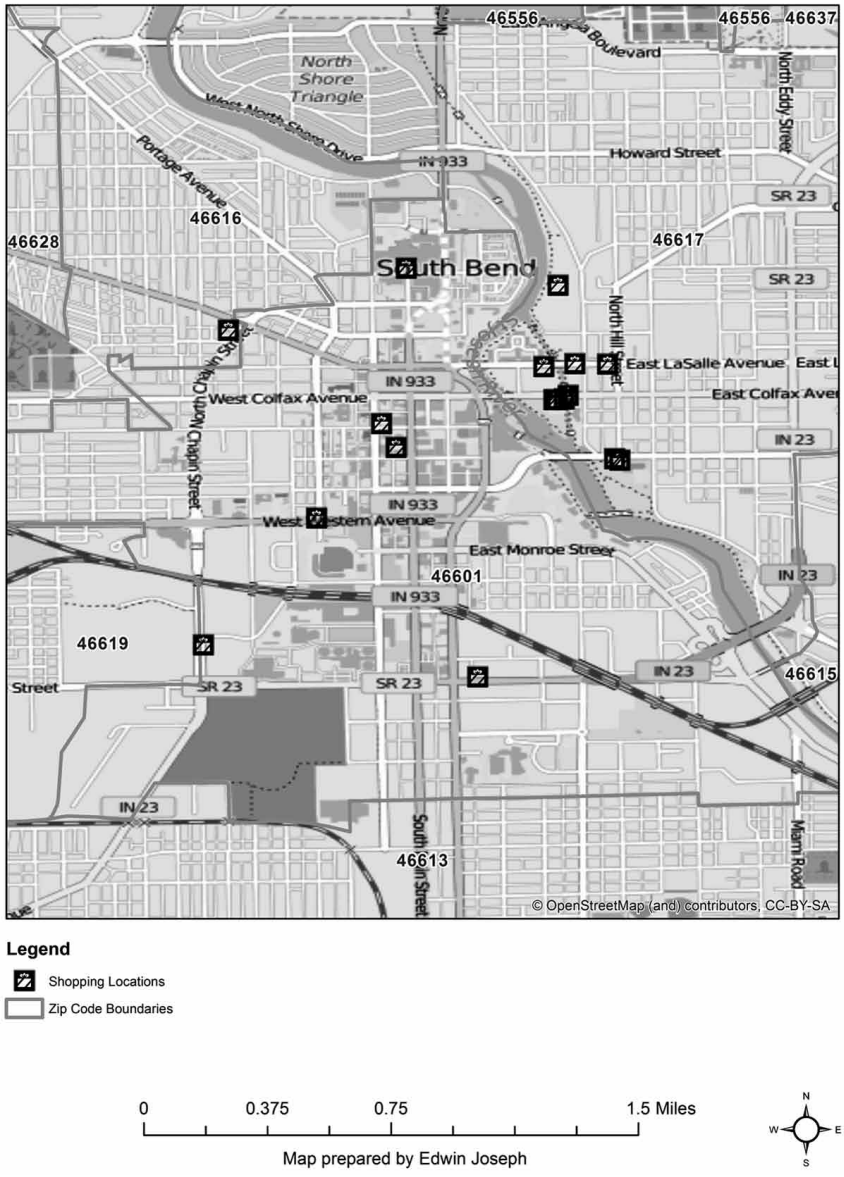
Figure 4. Locations of food & drink establishments
Food and Drink—20 locations



census products and compiled maps for displaying population, race, housing units, and income. This community profile provides information about demographic trends in St. Joseph County. Much of this data is presented at the census tract level. The data shows that St. Joseph County became more racially diverse with a decrease in the white population. The number of residents who are African American, another race, or of two or more races all increased in absolute and percentage terms. Minority groups remained concentrated within South Bend, where the vacancy rate was relatively high—particularly on the near south and west sides of town. (Department of Community & Economic Development, 2011)

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Figure 5. Shopping locations
Shopping—20 locations

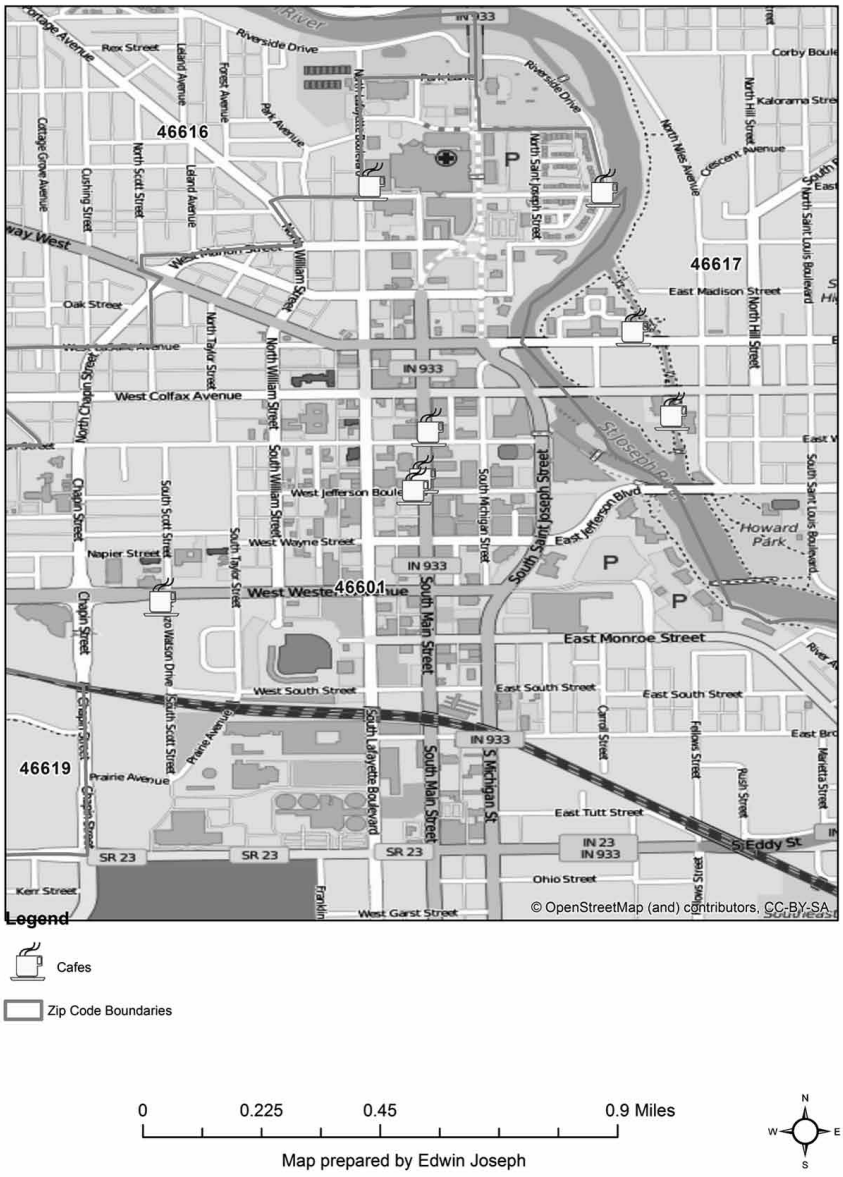


A recent review of the status of the urban poor in South Bend (based on 2000-2013 census block group data) revealed that 16.7% of residents had incomes below the poverty level in 2013 while that for the whole state was 9.5% (CDW Services, 2015).

The spatial distribution of poverty shown at a larger scale identifies 4 census blocks with the highest poverty rates (Figures 13 – 16). These blocks are located either south or west of the city center.

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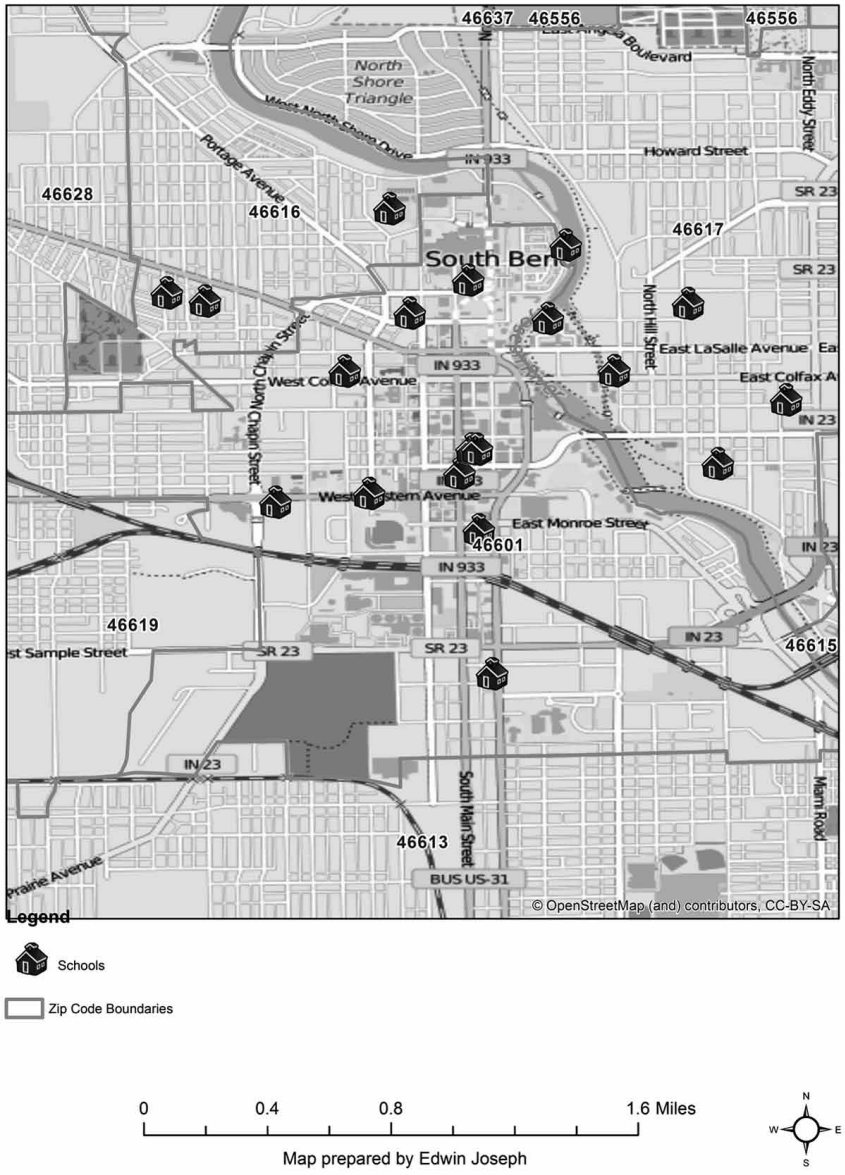
Figure 6. Locations of cafe
Coffee—7 locations



Given the spatial distribution of poverty in South Bend, it is important to understand the use of GIS technology to seek solutions for solving environmental, social, and economic problems. Some critical areas range from public safety, to health, and to transportation (Government Technology, 2016). South Bend city planners have invested much time in regulating land use, monitoring infrastructure, and traffic management among other things. And like many other cities, GIS is now used for performing spatial analyses. Planners also realize that the spatial and temporal aspects of GIS not only allow for modeling and predictions, but also useful for in-depth analysis.

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Figure 7. Location of schools
Schools—20 locations



HOW GIS CAN HELP URBAN AGRICULTURE AND INCREASE FOOD SECURITY IN SOUTH BEND

There are many strategic advantages for integrating GIS in Sustainable Urban Agriculture. GIS is a location-based system and is ideal for environmental monitoring, flood management, soil classification, pest and disease management, strategic planning, among others. For the average gardener, planning is generally some combination of guesswork and luck, but integrating GIS allows for more spatial organi-

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Figure 8. Distribution of parks
Parks—11 locations

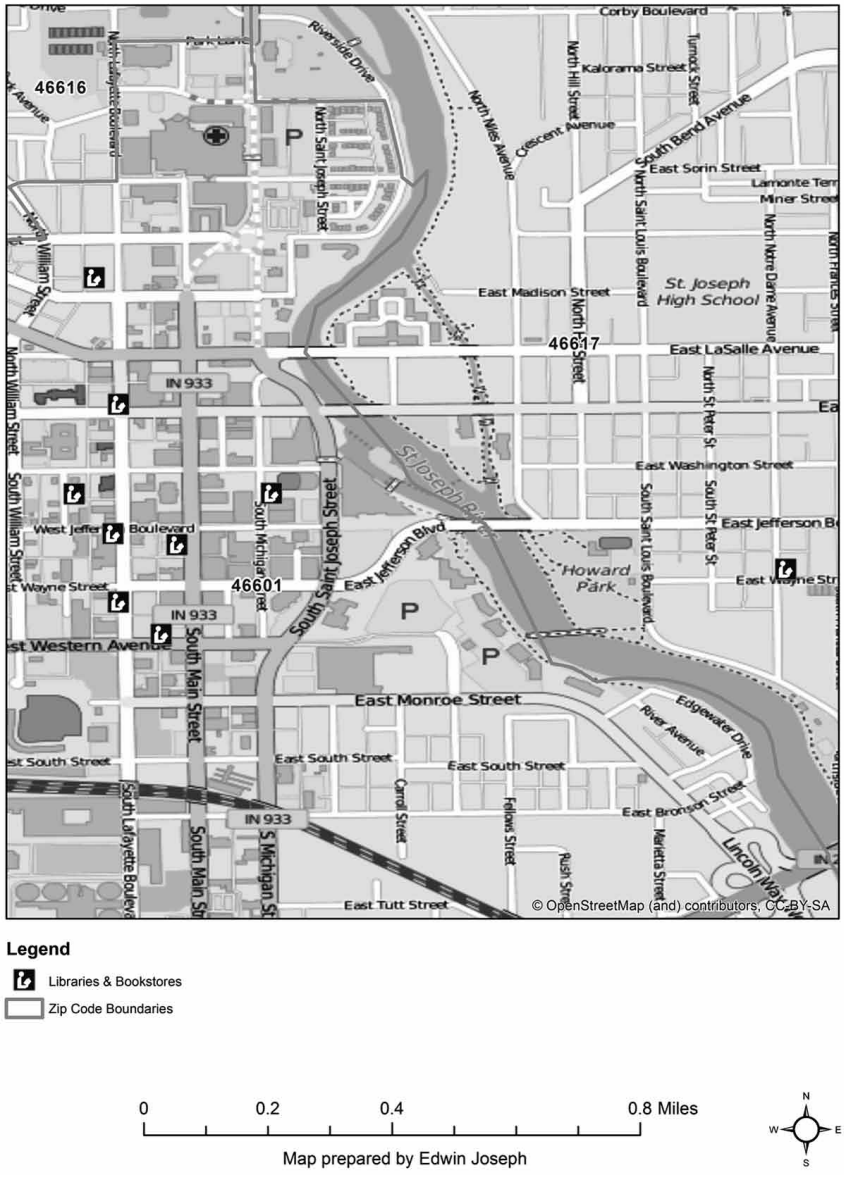


zation. Factors that can affect urban agriculture are sunlight, shade, soil moisture content, pH, soil type, artificial materials, dust and lead; all of which can affect the quality and quantity of crops.

A combination of GIS, GPS and Multimedia mapping will provide continuous data for sustainable food production in the city. Surveying new areas to plant crops, or examining soil and air quality will be an enormous challenge without spatial technologies. These technologies lend themselves to crowd sourcing projects, and greatly assist in managing food production and distribution. The World Food Program, the division of the United Nations recognizes the importance of GIS in food production and is one of

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Figure 9. Distribution of libraries
Libraries—11 locations



the biggest users of GIS data (ArcNews, 2014). The program recognizes the importance of safeguarding food sources, and engages communities in activities such as land use planning, biodiversity education, and soil fertility management. The World Food Program also monitors changes in the environment, and uses remote sensing to identify disaster prone regions.

In South Bend it is possible to use drone mapping technology to capture high resolution imagery of urban gardens to monitor production. The addition of high resolution orthoimagery (photographic maps)

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Figure 10. Entertainment locations
Entertainment—11 locations

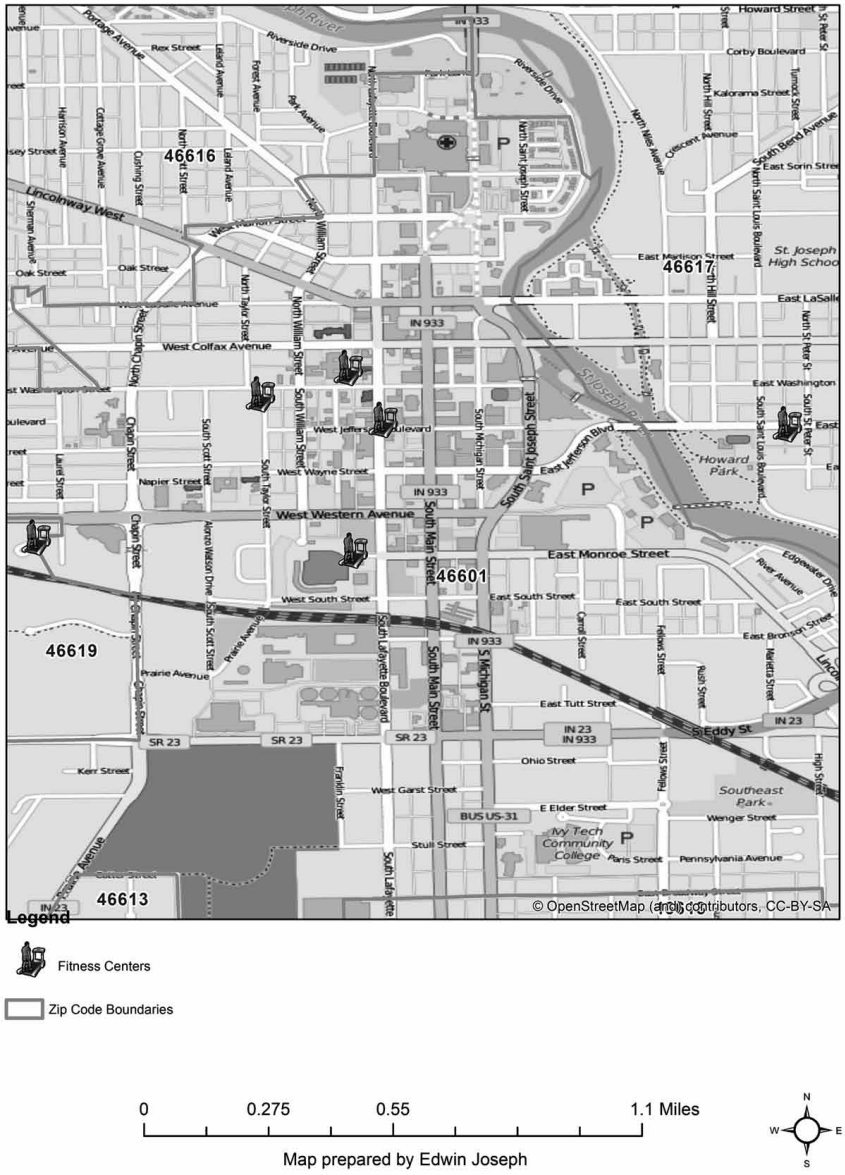


provides information necessary to adapt sustainable agriculture practices. Orthoimagery from drone mapping creates 3-D models of urban spaces that are critical for landscape analysis. Thus, generating models for potential gardens will ensure better planning for future generations.

Urban Sustainable Agriculture has the potential to become a dynamic economic sector in South Bend. City planners need to establish a proper program for developing the social, economic and ecological framework for urban agriculture. They must work closely with the urban poor, and as partners, develop

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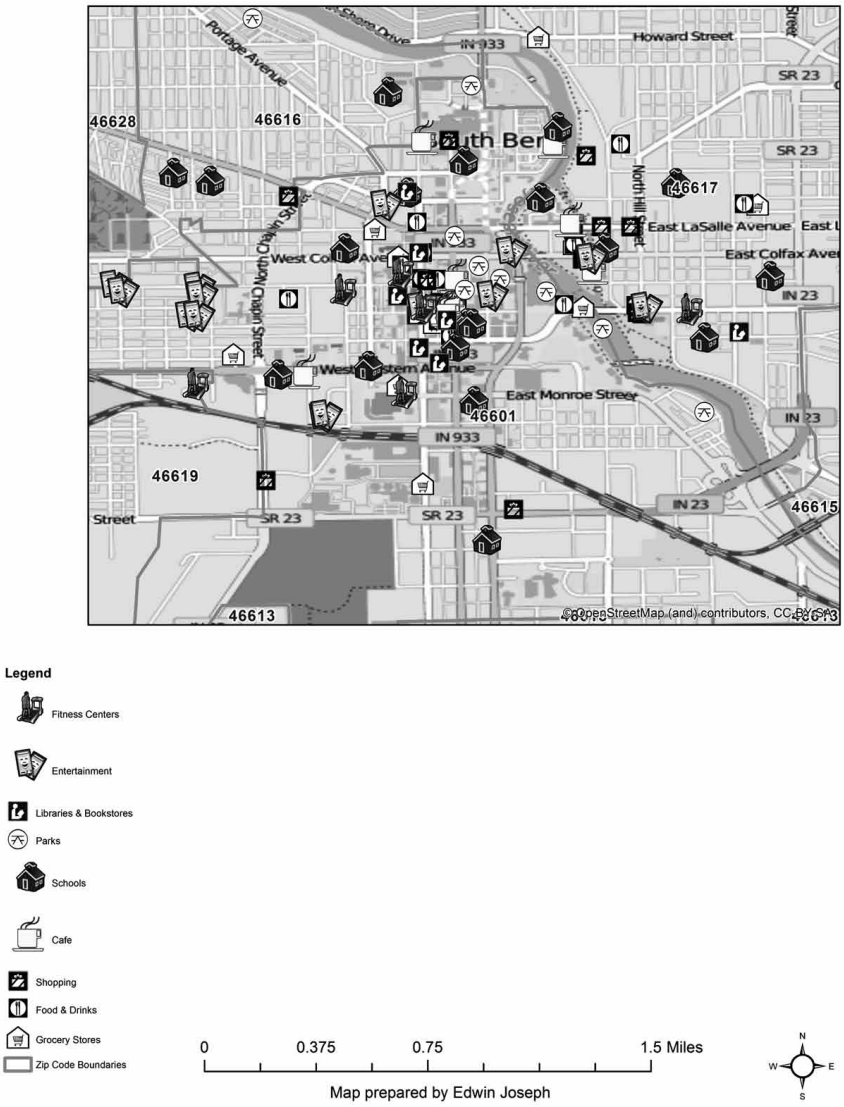
Figure 11. Distribution of fitness centers
Fitness—6 locations



a sustainable and resilient city that is socially inclusive, safe, and environmentally-healthy. The challenge for South Bend is putting together a conducive policy for urban agriculture, and urban land use. The city also has to provide easy access to vacant open urban spaces and partner with higher education institutions to develop formal urban garden programs that include technical workshops, participatory action research, and specific skills field training. Potential urban gardeners should not only have access to technical advice, but also credit (in the case where they seek agri-business opportunities within the city) for activities such as urban beekeeping, hydroponics, aquaponics, egg production and small stock (rabbits) production.

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Figure 12. Distribution of all amenities
All amenities

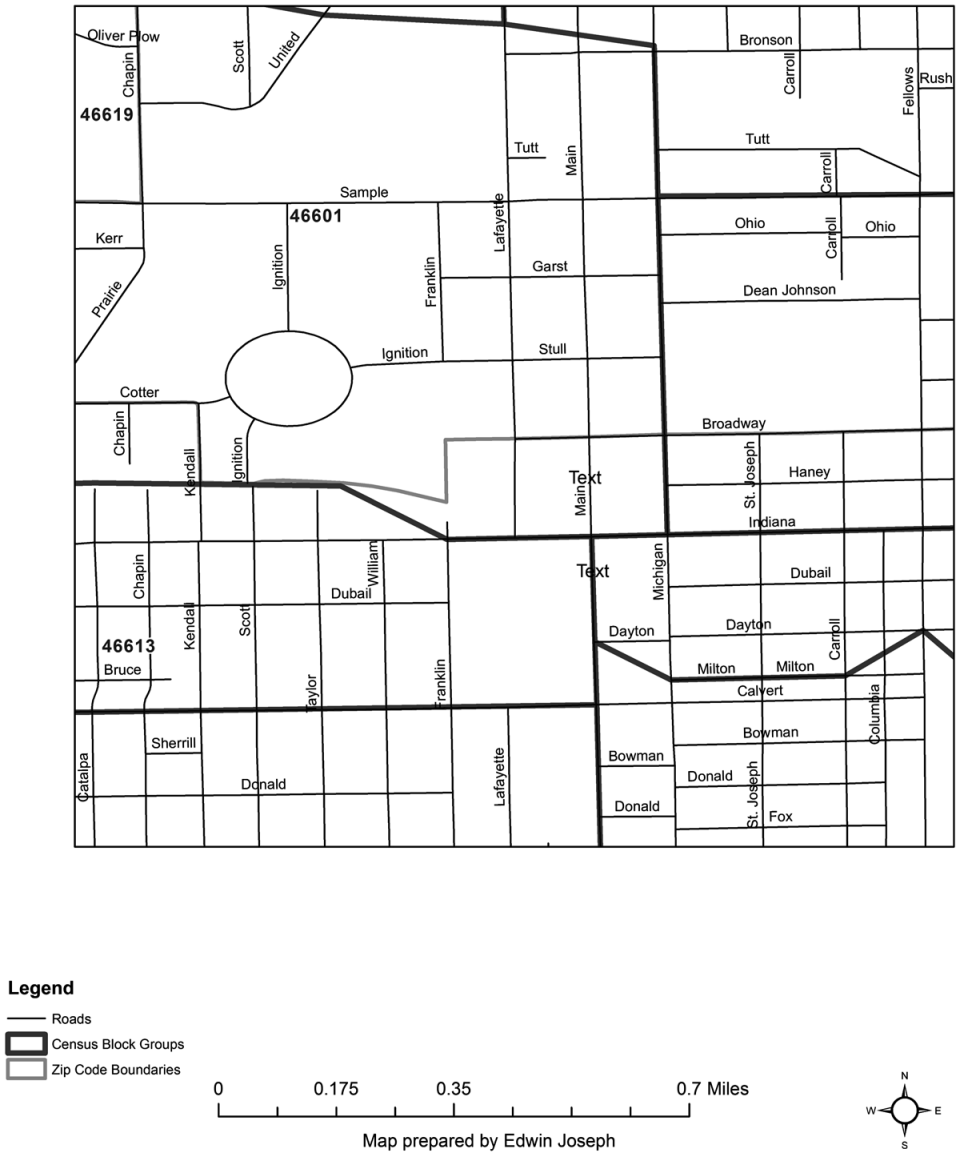


NEW DIRECTIONS FOR A FUTURE SOUTH BEND

At the 2016 State of the City address, Mayor Pete Buttigieg declared that South Bend was at the midpoint of a decade that would go down in history as the most transformative period for the city in modern times (Catanzarite, 2016). The Mayor reported that in 2015, four hundred and thirty-three houses were repaired through a combination of code enforcement and strong community partnerships. The Mayor identified community partners, for example, social service providers, neighborhood representatives, respected pastors, nonprofit stakeholders, police officers and local, county, and federal law enforcement officials working toward stopping violence.

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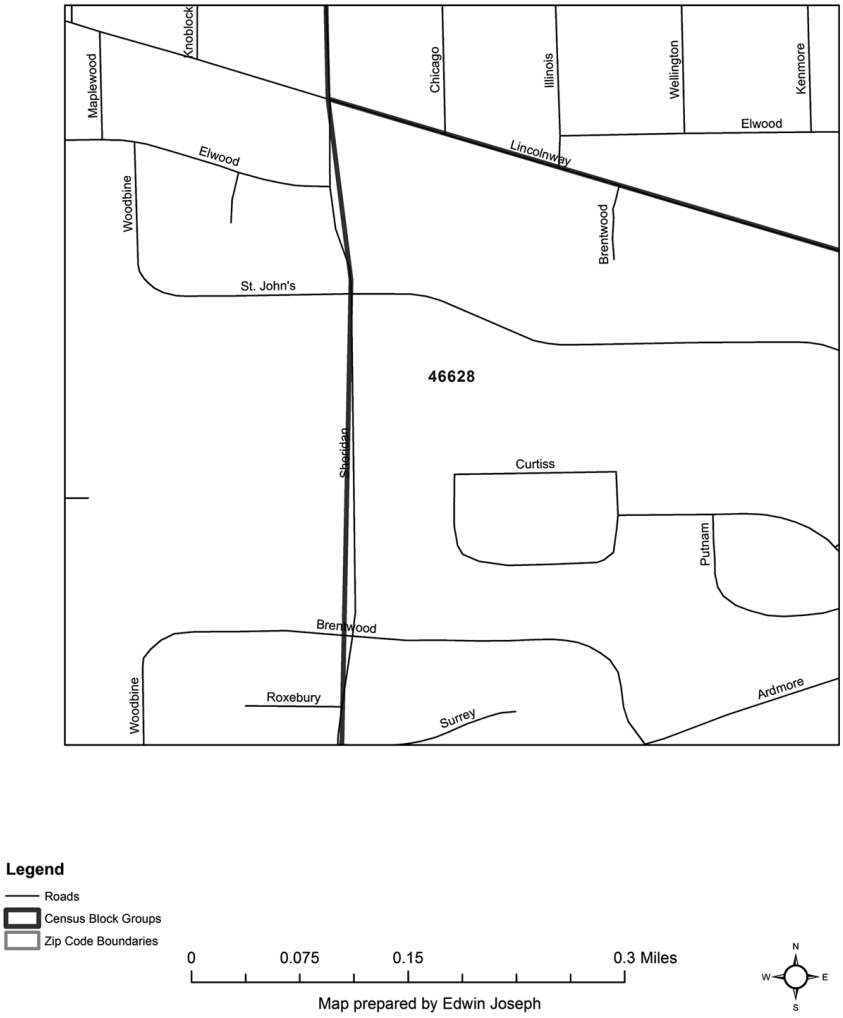
Figure 13. Residents with income below the poverty level (74.5%): Located roughly along West Sample St., & South Michigan St., zip code 46601 & 46613 (74.1%-76% poverty).



The 2016 address also promised funding ($700 million) to improve the community, empower people, and allow individuals to live the life of their choosing. The Mayor stated that investing in people and places meant investing in neighborhoods, and outlined the quality of life enhancements such as curbs and sidewalks, ramps, intersections, and wheelchair access completed. The city also invested in parks and recreation, and planted approximately 821 trees in 2015. A common theme in the address was the importance of including diverse community voices and perspectives, and focusing on unlimited imagination. In some ways, the mayor encourages imagination and sees it as a precursor to innovation.

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Figure 14. Residents with income below the poverty level (64%): Located roughly along Lincoln Way West, and Ardmore Trail, zip code 46628 (62.7%-64.6% poverty)

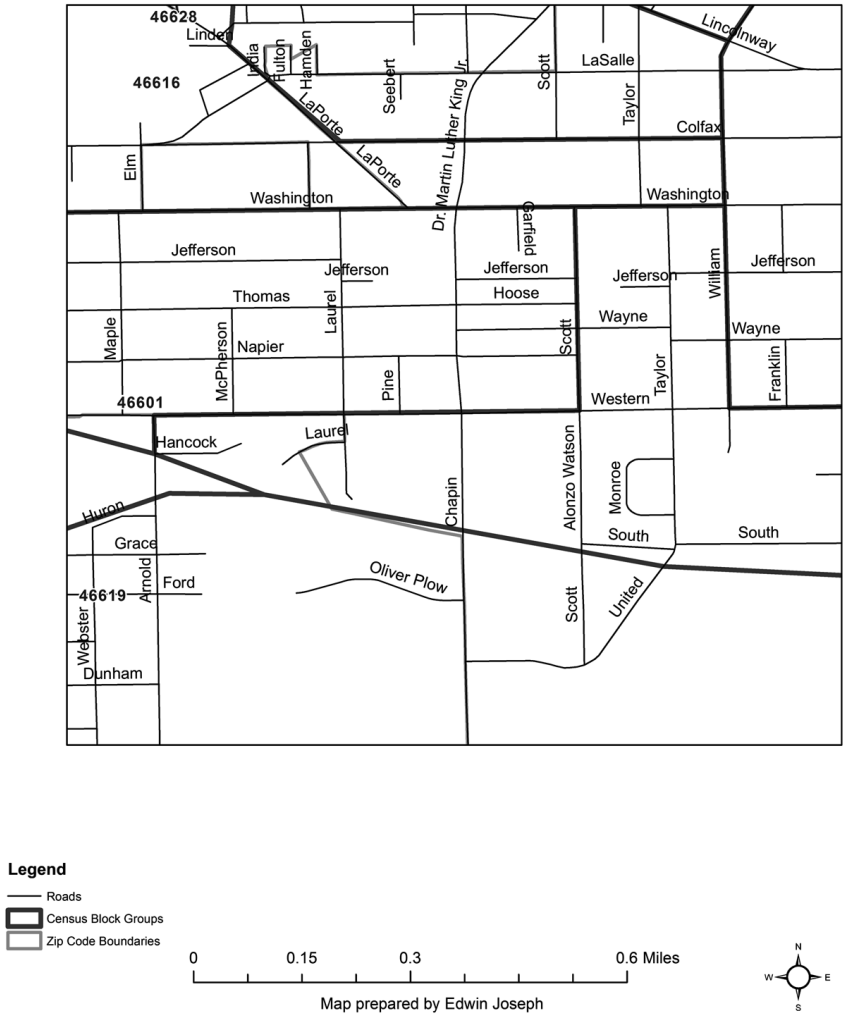


The city's interest in gardening was apparent in the Mayor's address when he spoke about his summer 2015 tour of a vegetable garden with a hundred 4th-graders. He also publically thanked the leadership of the St. Joseph County Health Department and the Reducing Obesity Coalition of St. Joseph County because South Bend was recognized by First Lady Michelle Obama as the first city in Indiana to meet all five goals of the "Let's Move!" initiative for healthy kids.

The city passed an innovative food truck ordinance, and created an online tracker that shows on a dynamic map where the food trucks are actually located, and is now working on an online tool to visualize vacant lots, so residents and potential investors or nonprofits could find ways to research and evaluate vacant land. These two initiatives demonstrate the need for expanding the use of GIS because the obvious benefits of GIS is the location factor. Knowing where things are, and how they change in space and time can be viewed in real time. This, however, requires dedicated programming, time, and effort.

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Figure 15. Residents with income below the poverty level (59.4%): Located roughly along West Washington St., & South William St., zip code 46601 (58.9%-60.8% poverty).



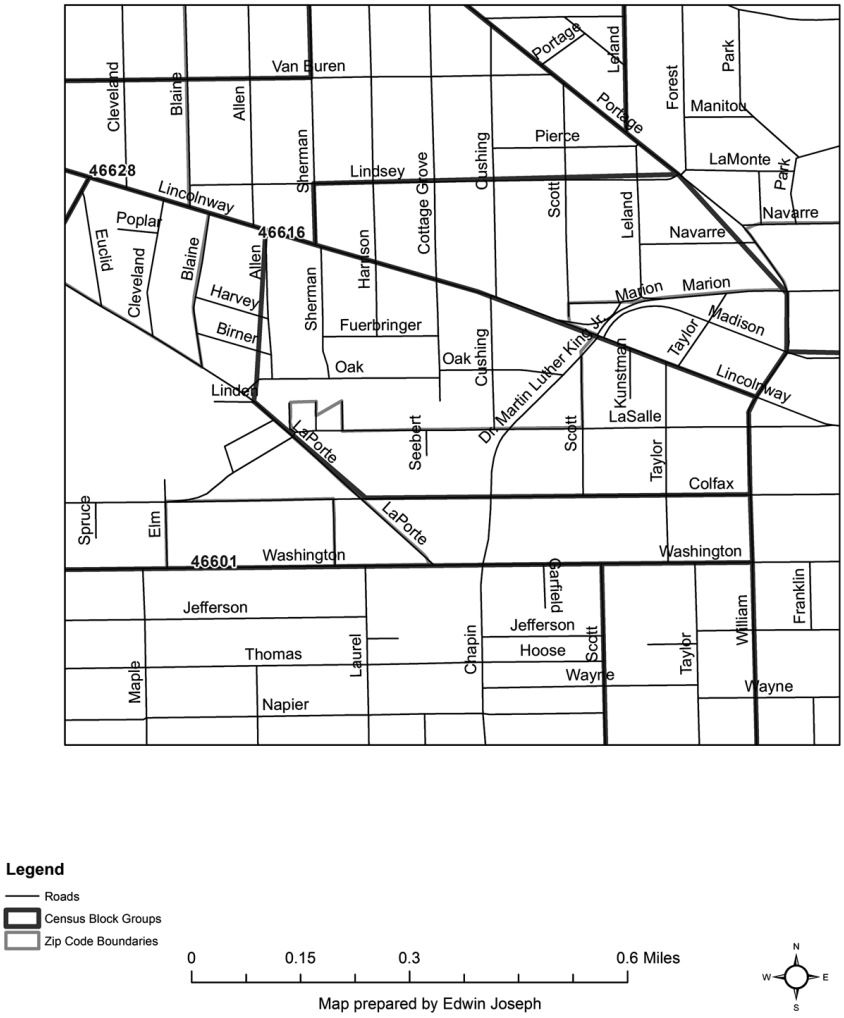
DISCUSSION AND CONCLUSION

GIS and GPS technology are indispensable but neglected tools. These spatial technologies have the potential to generate partnerships among food producers, volunteers, government and other institutions. Developing geographic awareness through collaborative mapping projects will help foster learning communities that can work together to develop sustainable urban garden initiatives—and may include the use of Free and Open Source Software (FOSS) as valuable tools to help satisfy an overwhelming demand for spatial information.

In South Bend, spatial technologies will help maximize food production because of the ability to visualize spatial relationships and patterns, which will contribute to building a more sustainable envi-

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Figure 16. Residents with income below the poverty level (49%): Located roughly within Lindsey St., Lincoln Way West, & North William St., zip code 46601 & 46616



ronment (ArcUser, 2010). Through spatial analysis, we will understand the relationship among factors such as, soil type, pH, soil moisture, and nutrient deficiency. We can generate maps identifying where things are, how they move, and other important relationships.

Spatial technologies will also connect community gardeners by introducing visual components to aid in site selection, planning, and modeling; and enable timely responses to issues that affect production. Integrating spatial technologies with urban gardening will provide an ideal platform for networking. As South Bend thrives to become a leader in sustainability, it has been shown how community participation will strengthen social relationships. South Bend needs to concentrate on growing more of its vegetables within the city. This will ensure healthier lifestyles and stronger communities. The aim is not just to improve health and decrease obesity, but create a more cohesive society with an equal distribution of incomes (Wilkinson & Pickett, 2009).

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GIS and GPS technology has proven to be a quick and efficient approach for acquiring field data. GIS therefore, has the potential to become the hub or major planning tool for urban sustainability in South Bend. When a GIS is combined with GPS, multimedia, and internet technologies, it provides a complete range of quantitative and qualitative research opportunities for future planning. Adopting these technologies would likely foster worthwhile sustainable investments, and would keep the momentum of GIS moving. However, the social, political, economic, and institutional climate must be supportive (North, 1990). A typical example of GIS in agriculture that is immediately applicable is pest and disease monitoring. Cell phones are now equipped with GPS, and a picture taken of a disease in the field can be crowdsourced and mapped in real time. Gardeners can seek information/solutions by uploading their images via community map servers where they can be viewed by experts.

There are many examples of communities transforming desolate landscapes into food oases. At Indiana University South Bend (IUSB), we recognize the importance of effective and sustainable urban land management practices, and have utilized geospatial technologies to map and monitor urban gardens in the city. As we look into the future we believe that the next wave of mapping technology would include AUVs (Aerial Unmanned Vehicles) for capturing landscape details that are otherwise unavailable to community gardeners. We believe that high resolution orthophotos (photographic maps) as overlays in Google Earth would help urban gardeners see the potential for online networking and collaboration. AUVs fitted with high-resolution visible-spectrum cameras and integrated GPS (Global Positioning System) are capable of acquiring overlapping aerial photos and elevations at garden sites. These would be invaluable for 3-D visualization, collaborative planning, and viewing temporal changes in the landscape.

It is hoped that in the near future, there would be more open access to city data so researchers would be able to share a platform that is built on collaboration. The current review of the spatial distribution of poverty in South Bend reveals a spatial pattern, but in-depth analysis was difficult because of incomplete and sometimes incorrect data entry from the data sources. Most of the analysis were limited to using on-line GIS resources that could not integrate new/external data, but simply reclassified in-house data, and generated outputs as static maps.

The extent of inner city agriculture can be easily mapped and monitored using crowdsourcing techniques. Crowdsourcing is an important data mining activity that taps into the collective intelligence of the public. Developing countries can take advantage of this platform to acquire data through user-generated media for example, blogs, Tweets, Wikipedia, Wikimapia, Facebook, and YouTube. GIS can be easily integrated onto these platforms. The integration of these services will enable the promotion of a network of food producers who can work together to alleviate poverty and malnutrition through community mapping and sustainable urban agriculture.

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ENDNOTES

1 The data contained in this product are based on the Census 2000 sample. The data are estimates of the actual figures that would have been obtained from a complete count. Estimates derived from a sample are expected to be different from the 100-percent figures because they are subject to sampling and nonsampling errors.

2 The data are based on the Census 2000 sample. The data are estimates of the actual figures that would have been obtained from a complete count. Estimates derived from a sample are expected to be different from the 100-percent figures because they are subject to sampling and nonsampling errors.

3 The Livability Index is a signature initiative of the AARP Public Policy Institute to measure the quality of life in American communities across multiple dimensions: housing, transportation, neighborhood characteristics, environment, health, opportunity, and civic and social engagement (http://livabilityindex.aarp.org/?cmp=LVABLIDX_MAR25_015).

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Chapter 59
Operation Sukuma-Sakhe:
A New Social Contract for Decentralized Service Delivery and Responsive Governance in KwaZulu-Natal

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ABSTRACT

This chapter explores the emerging new social contract that connects government departments, communities, civil society, and the private sector through Operation Sukuma-Sakhe (OSS) in the Province of KwaZulu-Natal (KZN), South Africa. This program is designed to expedite service delivery and development by addressing communal challenges such as poor or non-existent service delivery and lack of coordinated government programs and cooperative governance efforts. Social contract theory forms an analytical and conceptual framework to gauge the government's commitment through the OSS program in delivering decentralized services in partnership with communities and other development sectors. The effective functioning of OSS depends on the full and equal commitment of government, underpinned by a new social contract with other departments, the community, and citizens as both recipients and agents of decentralized service delivery. Primary data sources were interviews with OSS regional officials, supplemented by documentary data from the literature and state and local government sources.

INTRODUCTION

In South Africa the endemic lack of basic services not only impacts on standards of living, health, and well-being, but also affects the overall socio-political and socio-economic conditions of communities and ultimately impacts on the overall quality of life (Cebekhulu, 2013). The situation has led to a "massive crisis of delivery" (Zulu, 2013, p. 70) underpinned by gross poverty, high unemployment rates, and income inequality, and without quality and sustainable basic services, the poor will continue to sink into destitution and underdevelopment. Only a package of integrated structural reform can reverse this dire situation (Gumede, 2014). With the prevailing socio-economic challenges, communities are poor and

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fragmented due to the lack of human and financial resources, and their poverty is aggravated by few of the available resources and assets being utilized for their own development and empowerment (Cebekhulu, 2013; Malala, 2015; Terreblanche, 2012). This unresolved service delivery crisis has led to escalating anger and frustration as people feel cheated out of their long-cherished hope of "liberation [that] would bring with it freedom from political oppression inflicted by racism with its attendant ills-poverty, hunger, homelessness, ignorance and diseases" (Zulu, 2013, p. 65). Indeed, service delivery that is non-existent or of poor quality remains an aggravating issue for South African development.

South Africa is currently engulfed by multiple challenges: poor service delivery, high profile cases of corruption, high cost of living, slow economic growth, high rates of unemployment, death on the roads, a high crime rate, and a threat to the independence of public institutions (Sunday Independent Newspaper, 2013). One could argue that the political center is disintegrating. South African citizens have long sought a democratically elected government which would effectively address their needs and aspirations (Thakahthi, 2000), and the failure to meet these challenges has triggered nation-wide strikes and demonstrations. President Zuma, during his State of the Nation address, dismissed the link between strikes and poor service delivery (2014, p. 14):

…the right to protest, peacefully and unarmed, is enshrined in the Constitution. However, when protests threaten lives and property and destroy valuable infrastructure intended to serve the community, they undermine the very democracy that upholds the right to protest. The dominant narrative in the case of the protests in South Africa attributes to government's failure to deliver on its development, democratic and service delivery mandate.

Zuma went on to argue that:

…however the protests are not simply the result of failures of government but also of the success in delivering basic services. When 95% of households have access to water, the 5% who still need to be provided for, feel they cannot wait a moment longer.

Zuma (2014) suggested that people's expectations could be addressed through a National Development Plan (NDP) that calls for the convergence of a capable state and an active and responsible citizenry. The NDP was adopted in 2012, with the aim of eliminating poverty and reducing inequality by 2030. This would require the South African Government to reconfirm the commitment made in its Reconstruction and Development Programme in 1994. However, South Africa still faces the triple challenge of poverty, inequality, and unemployment, challenges faced by all democratic administrations. The Zuma administration is focusing on five priorities: education, health, the fight against crime and corruption, rural development and land reform, and job creation (Zuma, 2014). Zuma acknowledges that the government cannot achieve these aims in isolation, but must work collaboratively with the business and employment sectors to increase South Africa's economic growth rates above 5% in order to create the much-needed jobs.

Development in South Africa faces three major challenges: the state's fiscal foundation, the capacity of the public service, and the international environment (Habib, 2014). Demands and expectations to deliver basic services are enormous but resources are limited. Nengwekhulu (2009) blames poor or

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non-existent public service delivery on skill deficiencies and the situation is further exacerbated by rising unemployment levels, leading to communities going on strike over poor or non-existent services (Malala, 2015). South Africa is currently at a crossroads as it faces the challenging combination of pedestrian rates of growth, deepening inequality, stubborn poverty, and youth marginalization (Netshitenzhe, 2012). In reality, South Africa continues to produce poor-quality skills (Nengwekhulu, 2009), and even the quality of academic qualifications today leaves much to be desired. If South Africa wishes to be a developmental state and advance the dream as outlined in the National Development Plan, improving the country's human capabilities is essential. Improving human capability requires both government and citizens to embrace a human development framework as proposed by the United Nations Development Programme (UNDP, 1997, p. 15), which involves:

…the process of enlarging people's choices and rising levels of well-being … it is holistic, integrated process in which economic and political forces continually interact with one another in dynamic and diverse ways to improve the lives of and opportunities available to the poorest.to here

If South Africa is to achieve its NDP of sustainable human development, the UNDP (2000, p. ix) suggests the government needs to adopt a rapid process of redress, social reconciliation, nation building, economic growth with equality, and the sustainable utilization of natural resources. Since poverty is closely related to unequal development in terms of infrastructure, administrative capacity, assets, access to information, knowledge, and opportunities, the development of human capital should go beyond human resources to embrace the broader notion of educating the nation through capacity building programs (see Malala, 2015; Terreblanche, 2012).

This chapter explores the emerging new social contract among government departments, communities, civil society, and the private sector through Operation Sukuma-Sakhe (OSS) in the Province of KwaZulu-Natal (KZN). This program is designed to expedite service delivery and development, and focuses on addressing communal challenges such as poor or absent service delivery and lack of co-ordinated, co-operative government programs. KZN is South Africa's most populous province and remains predominantly rural. Dependency ratios and poverty levels are highest in the rural areas, although the greatest numbers of poor people and greatest poverty density are to be found in the major urban centers (BroadReach HealthCare, 2014). The province is confronted by multiple challenges such as poverty, lack of food, unemployment, crime, violence against women and children, and substance abuse. There are also health challenges such as heart disease, HIV and AIDS, and TB. Many of these problems are inextricably linked and therefore require an integrated approach (BroadReach HealthCare, 2014). OSS was initiated as a beacon of hope, and forms part of the provincial government's attempt to deal with socio-economic challenges.

Primary data sources for this study were interviews with OSS regional officials and OSS co-ordinators in the jurisdiction of KZN province, including non-government organizations such as BroadReach Healthcare (BRHC), the implementing agent. Interviewees were a politician, seven OSS members, two government officials, two community members, three community leaders and one member from civil society as well as one person from a vulnerable group. Secondary data were also obtained from books, journal articles and governmental policies and documents from both municipalities and the KZN Premier's office. From this limited sample the findings here are tentative and exploratory.

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BACKGROUND

This study adopted social contract theory as an analytical and conceptual framework to gauge the government's commitment to the OSS program to deliver decentralized services, in partnership with communities and other developmental sectors such as civil society and the private sector. Social contract theory is grounded in related theories such as cooperative governance and intergovernmental relations (IGR). According to social contract theory, a government enters into a contractual agreement with its citizens. Social contract is also known as a theory of social order, which became popular in the 17th and 18th centuries (Marshall, 1998: 609), and the theory can be traced back to the ideas of Plato as an unwritten agreement between the state and its citizens that expresses rights and duties. Rousseau (in Marshall, 1998), for example, laid the foundation for the ideal contract, unfortunately with no real distribution of power, while Hobbes (in Marshall, 1998) argued that security and order for all citizens can only be achieved through a contract that requires all citizens give up their individual powers to a central power (the sovereign), in return for the state's protection of their life and property (Van Niekerk, 2001) has suggested that the social contract approach was developed in reaction to the belief in the divine right of kings. Social contract theory justifies the origin of the state being based on a contractual agreement among members of the society aimed at promoting the general good (Fox & Meyer, 1996).

The theory advocates popular sovereignty as the ultimate source of the powers whereby the ruler governs with the consent of the governed (Van Niekerk, 2001). Within the social contract, the state exists to provide collective goods and services on a non-profit basis, thus enabling the benefits of these goods and services to be distributed among all inhabitants, irrespective of race, religion, gender, or personal wealth (Venter & Thenissen, 2010). Through social contract theory, the government advocates that it "cannot do it alone", and so the private and civil society sectors, for example, form part of the governance equation. In a democratic social order, the state is created by contract, and hence its ultimate source of power is the people who, in turn, delegate their governing power to their representatives. Social contract manifests itself in the form of co-operative governance that shapes the nature of intergovernmental relations (IGR).

Both the notions of co-operative governance and intergovernmental relations (IGR) are contained in the South African Constitution of 1996. In this context, Chapter 3 of the Constitution (Republic of South Africa, 1996) lays the foundation for Cooperative Governance (CG) and IGR, and Thornhill (2002) argues that the Constitution establishes contractual relations amongst three spheres of government – national, provincial, and local – which are, however, distinct, interdependent, and interrelated (Republic of South Africa, 1996; Nkuna & Nemutanzhela, 2012; Thornhill, 2002). Despite the spheres of government being distinct and separate, they are also interdependent and interrelated and so they are unable to act arbitrarily against each other (Craythorne, 2006). The various spheres' interdependence can be viewed as the degree to which one sphere depends on the other in order to properly fulfil its constitutional functions (Tapscott, 2001), and this interdependence can also reflect a core relationship in which a particular sphere (national or provincial) has the responsibility of empowerment and oversight, and, under certain circumstances, intervention into the more dependent sphere (Craythorne, 2006).

A government that is strategically effective must align its policy framework and implementation, which can be enhanced through effective intergovernmental relations mechanisms (Ile, 2010). Through CG and IGR, all organs of the state and their respective spheres are obliged by law and entrusted *inter alia* to provide effective, transparent, accountable, and coherent government for the country as a whole. Importantly, the system of intergovernmental relations must ensure that all services for which the three spheres are individually or jointly responsible are administered effectively and efficiently (Thornhill,

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2002). Through OSS, various sectors are called to account, and this entails not only the government machinery but also organs of civil society, the private sector, and people as the agents and beneficiaries of the program.) IGRs are important as they promote the mutual relations between all spheres of government and all organs of the state in South Africa (Kahn, Madue, & Kalema, 2011). In practice, intergovernmental relations relate to the geographical division of powers among the various spheres of government in the nation-state (Cameron, 1994). The division of power implies that each structure has a unique and independent role in the intergovernmental domain. Despite these constitutional provisions, Kahn et al. (2011, p. 65) have argued that:

…the relationship between the different spheres of government, both vertical and horizontal, is not always harmonious and does not lead to the promotion of democracy and service delivery as intended.

Intergovernmental relations have been defined in other ways by various authors. Wright (1988, p. 1), for example, has described the relationship as an interacting network of institutions at national, provincial, and local levels, created and refined to enable the various parts of government to co-operate in a manner appropriate to its institutional arrangements. Thus, intergovernmental relations encompass the interaction between the various levels of government (Siddle & Koeble, 2012; Thornhill, 2002) and sphere has an independent and unique role to play. For example, the local sphere is charged with the responsibility of delivering basic services and advancing its civic duties, while the provincial sphere deals with the coordination of public policies. Indeed, central to the notion of intergovernmental relations is the "interdependent relationship that exist[s] between various levels of government" (Siddle & Koeble, 2012, p. 58).

The importance of intergovernmental relations is not only the veins and life blood of effective, accountable, proactive and responsive government but also a panacea in the government's quest to deliver sustainable services in partnership with communities. Achieving government objectives efficiently and effectively depends to a large extent on the organizational structuring of the particular government (Tshishonga, 2012). Also important is the extent to which the different structures are able to co-ordinate their efforts in an organized manner within the spirit of intergovernmental relations. Intergovernmental relations refer to mutual horizontal and vertical relations and interactions between governmental institutions (Reddy, 2001). These mutual relations translate into actions and interactions, which enable effective implementation of the public service delivery programs. The term "mutual" in this definition may be misleading in cases where tension exists between and within the various government structures. Gildenhuys and Knipe (2000, p. 285) have defined intergovernmental relations as "a process by which governments seriously negotiate for power, money and problem-solving responsibilities. Thus, whereas constitutionally government structures may be obliged to mutually work together, the relations are often characterized by intense debates of negotiated power relations". Thornhill (2002, p. 36) has suggested intergovernmental relations reside within all the official actions and interactions amongst politicians and officials of national, provincial, and local spheres of government when they are performing their duties. Even though all spheres are constitutionally pronounced as "distinctive and independent" (Constitution, 1996; Thornhill, 2002), in practice this is not the case as the provincial and national spheres exercise control over local government, necessitated in part by the recent "incapacitated state of most local government structures" (Nkuna & Nemutanzhela, 2012, p. 358). Finally, Plano (in by Du Toit, 1998, p. x) defines intergovernmental relations "as continuous administrative political and legal relation between the various spheres of government including formal and informal networks that enable effective and

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efficient delivery of continuous negotiations for power and resources aimed at achieving government objectives in an effective and efficient manner". Thus, through intergovernmental relations, spheres of government are socialized to collaborate for a common good especially in using public resources to address socio-economic challenges. The next section provides the background of OSS as implemented in KZN province.

OPERATION SUKUMA-SAKHE AS A SERVICE DELIVERY MODEL

OSS engages members of the community to work hand in hand with the government to develop their communities. Currently OSS is being implemented in KZN province as part of a push for people to overcome socio-economic and health related challenges such as poverty, unemployment, crime, substance abuse, HIV and AIDS, and TB (Thekwnini Integrated Development Plan, 2012/13–2016/17). OSS encourages self-reliance by engaging communities in their own process of learning, growth, and change as they become part of the process of development services. OSS has five top priorities in terms of service delivery: rural development/agrarian reform and food security, creating decent work and economic growth, fighting crime, increasing education, and promoting health (KwaZulu-Natal Province, 2012). The project started in February 2008 under former President Mbeki's "War on Poverty" campaign in his State of the Nation Address. The campaign was launched in three presidential nodal areas, and was then adopted in 2011 by the Provincial Government as part of the KZN Flagship program. The Provincial Government relaunched it as OSS, which co-ordinates service providers such as government departments, state-owned enterprises, and civil society. OSS integrates these service providers as a collective that effectively fights poverty and assists communities to access the required services (KwaZulu-Natal Province, 2012).

OSS is a service delivery model that implements a comprehensive, efficient, effective, and quality service delivery. The model is designed to integrate services from government, NGOs and the private sector, together with contributions from a self-reliant society, in a sustainable manner. The project does not treat beneficiaries as passive recipients of services but as active participants who also look for solutions to issues that affect them. This service delivery model also affords individuals the opportunity to connect with each other and places them in a better position to make decisions for their individual and collective efforts towards a better life for themselves (KwaZulu-Natal Province, 2012).

Building Blocks for Effective Operation Sukuma Sakhe Program Operation Sukuma Sakhe as a Service Delivery Model

Through the Constitution of 1996 the delivery of sustainable services has become a right for every South African citizen. As contained in the Reconstruction and Development Programme (RDP) and other white papers, service delivery, especially to the poor and marginalized, is often linked to redressing the injustices and legacy of apartheid. Given the harsh realities of soaring poverty, sky-rocketing unemployment rates, and gross inequalities, the democratic government has committed itself to creating a responsible and people-centered society by addressing socio-economic challenges, as highlighted by the politician interviewee:

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In South Africa rendering services to the poor is regarded as a means to address socio-economic challenges confronting the less privileged masses, more particularly those residing in rural areas. As a government we have learnt that top-down approaches to community development do not work; instead, such approaches consolidate the culture of dependency and culture of entitlement. Operation Sukuma Sakhe is an implementation model designed to fast-track service delivery in the province of KwaZulu-Natal.

OSS is in line with the RDP, which represents a paradigm shift from a separate development approach to an approach that is inter-sectoral and people-centered. The new approach for meeting basic needs is anchored to creating opportunities for all South Africans to develop to their full potential, while at the same time boosting production and household income through creating jobs, increasing productivity and efficiency, improving conditions of employment, and creating opportunities for all to sustain themselves through productive activity (African National Congress, 1994). This is to happen simultaneously with improving living conditions through better access to basic physical and social services, health care, and education and training for urban and rural communities.

OSS is anticipated to expand service delivery, especially to the needy and the unemployed, as part of the strategy of addressing poverty and deprivation. War on Poverty is a radical campaign aimed at eradicating poverty. For a society to be self-reliant, KwaZulu-Natal Province (2012, p. 1) notes that:

…is it important that its members are not passive recipients of services but that they participate actively in local interventions which will have an impact on their lives. Through community participation, individuals are able to connect with each other and they will be better placed to make decisions in terms of their individual and collective efforts towards a better life for themselves.

Lack of skills, capacity (ability), and capability (competency) has led to poor service delivery. The government's failure, especially at the local level, has contributed enormously to widespread protests and demonstrations. It is evident that the government is overburdened by a huge population in dire need of basic services, as described by a provincial official behind OSS:

For OSS to be effective in delivering services and dealing with problems facing the vulnerable groups such as children, the elderly, sick, women, you, unemployed, etc., all stakeholders should contribute either through participation in decision making, planning or financial resources.

Gumede (2009 has pointed out that unemployment, poverty, and lack of opportunity are direct results of apartheid, and so the social welfare net must be extended to the most vulnerable, who are unlikely to benefit even if the economy grows to doubles digits. This approach must be one of the pillars of any new consensus in South Africa.

The government can best tackle these multiple predicaments by enabling the bureaucracy to operate through intergovernmental relations. It could be argued that OSS is a strategy recommitting public servants deployed within the three spheres of government and across different departments, working towards the creation of a society free from poverty, unemployment, hunger, and starvation. In addition, OSS develops and deploys skilled and competent people, as opposed to employing cadres who are party loyalists. Thus Section 195 of the Constitution 1996 cautions that public administration at all levels

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must incorporate democratic values and principles, promoting efficient, economic, and effective use of resources, and using good human resource management and career development practices to maximize human potential.

SOCIAL MOBILIZATION OF STAKEHOLDERS THROUGH SOCIAL CONTRACT

Social contract is the hallmark of liberal democracy. In a liberal democracy, people are afforded the right to vote for their own representatives, through either proportional representation (PR) or the constituency system (Phillips, 2007). Through PR, people vote not for their representatives directly, but rather for political parties who then assume the responsibility of enlisting their candidates. PR is an electoral system based on the idea of representing parties and is associated with government by coalition (Van der Waldt, 2001). Social contract plays both a mobilizing and uniting role in intergovernmental relations, and hence the sovereignty of the state is by the people. Since power is a contested notion, people – either as individuals or through representative structures – wrestle to influence political decisions as part of governance. Social contract is capable of making governance possible by ordering groups, community, and other structures in a society to act collectively for the common good (Jonker, 2001).

Using a social contract approach, OSS brings all spheres of government and its departments or units together, including the private sector and community members. The rationale behind OSS is to democratize the services that government is obliged to offer its citizens. The program has the potential to include both primary (people) and secondary (public, private, or civil society) stakeholders. This application of a social contract approach is premised on galvanizing society, with people charged to hold the state accountable. The establishment of OSS is based on the paradox that a community may participate regularly in informal social interactions and yet still be socially isolated from the valuable resources in the wider city or region. Most of the rural and township communities find themselves in a quandary, aggravated by the social evils such as poverty, unemployment, and income inequality, coupled with the scourge of HIV/AIDS (Terrenblanche, 2012). Thus, delivery of basic services such as water, sanitation, and housing have become a safety net for the poor and disadvantaged who, without government support, are likely to slide into socio-economic deprivation and destitution. One of the strengths of OSS is to bring together affected communities and public institutions who, by law, are charged through their ministries and sectors to deliver services to the people. A provincial officer summarized this approach:

The War Room by its very nature provides a forum whereby both primary (people and communities) and secondary (spheres of government and departments) meet in order to deliberate on how effective programs such as Sukuma Sakhe could be instrumental in addressing community based challenges, hence Sukuma Sakhe in Zulu means "stand up and build".

Importantly, Sukuma Sakhe operationalizes CG and IGR, in which social contract can be envisaged as both glue and vehicle to deliver services earmarked by the program. In this regard, social contract through OSS connects the poor to the mainstream resources and improving access to available economic opportunities. Thus, OSS makes people aware of the available services and uses the War Room as a forum to engage stakeholders on the best alternative to resolve the identified challenges. In this regard,

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the OSS program mobilizes resources (both financial and human) and better positions itself to serve the needs of the people, especially the indigenous. Narayan (1999: 13) added that "when power between groups is asymmetrically distributed, it is cross-cutting ties, the linkages between social groups that become critical to both economic opportunity and social cohesion".

A government official highlighted the importance of people and communities in rolling out the OSS program:

Through program such as OSS, different spheres of government are cascaded to where people are, and obliged to enter into a social contract in which their commit to take people and communities' issues and concerns more seriously. In the weekly meeting known as "War Room", various stakeholders, including the concern departments, as matter of urgency have to report back on what they have done regarding addressing the identified needs.

The South African Government is structured into specific departments, each with specific responsibilities, even though all spheres are interrelated and interdependent. The interdependence of government spheres is the degree to which one sphere depends upon the other to fulfil its constitutional rights to serve its citizens (Tapscott, 2001). The following are comments from different stakeholder interviewees:

KZN provincial officer: through OSS, communities are mobilized around common issues and such responsibility could not be relegated to government but the affected people should be part of the solutions.

Community leader: as community leaders we are often blamed for lack of services, our lives are being threated on a daily basis and our houses are being burnt. The involved community members and their respective structures will not only make people bond to each other but will enable them to mobilize themselves to challenge the government, more particularly when it comes to corruption, mismanagement, and abuse of power.

Civil society organizations: through OSS, government will cease to be the only player in the fight against poverty, unemployment, and income inequality. In most cases you find that our mandate is undermined by the lack of human and financial resources; at least we work in partnership with government and vulnerable people and communities.

Vulnerable groups: most of the program, especially those designed by government, bypass us if we are disabled. We might not have financial resources but we could also contribute through participation in decision making and labor. Our involvement is important because without us such initiatives would not be sustainable and there will not be any ownership of development processes.

In the context of OSS, social capital is seen as a vital ingredient in driving integrated community development, more particularly in attending to the needs of mainly children, elderly, working poor, youth, unskilled and illiterate, women, disabled, and sick (Province of KwaZulu-Natal, 2012). Effective social capital could also have economic benefits for the poor.

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Activation of Co-Operative Governance and IGR Through Developmental Partnerships

A literal understanding of partnering and partnership is often associated with grouping people or communities to achieve common good. Partnership has emerged in the development sector as a strategy to deal with problems of poverty and service delivery. Lombard and du Preez (2004) postulated that the primary goal of partnerships in social development is to strategically join efforts to reduce poverty, address inequality, and social injustices through the redistribution of resources, and through social and economic development programs. Harrow (2004) defined partnerships as formalized structures that bring together institutions and organizations to address an identified problem or work towards specific organizational goals. Painter and Clarence (2001) noted that fundamental characteristics of partnerships include a focus on organizational rather than individual relationships; evident working boundaries; relatively stable composition; and membership defined by formal agreement. Most of the interviewees stressed the importance of partnership to the OSS program, as illustrated by the following comment from a provincial Task Team official:

Operation Sukuma Sakhe is a program based on partnerships whereby various spheres of government, together with departments, are brought together with local people and organs of civil society, not only to identify needs and challenges but to explore alternative solutions pertaining to challenges besetting our communities, especially in the rural areas.

In essence, OSS could be understood as a service delivery framework that brings together government departments, civil society, the private sector, and vulnerable communities to engage in development. If implemented effectively, therefore, OSS could be instrumental in closing the gap between government and the people by creating productive partnerships. This in turn could deepen social contracts based on accountability and commitment, making KZN province free from poverty and underdevelopment. Partnerships are perceived as a salvation to the many-sided ills and development challenges facing public sector institutions and organizations, organs of civil society, and the private sector alike. This is better explained by partnership approach whereby the various stakeholders such as public, private or community-civil society forge inclusive and participatory relationships as agents to deliver sustainable services. The proponents of this approach believe that there is a single best solution for organizing labor, raw materials, and capital in order to manufacture and distribute goods and services (Hollingsworth, 2004). In this context, Fowler, (2001, p. 17) has redefined partnerships as:

Working together to accomplish agreed results and accepting joint responsibility for achieving them; partnership requires defined mutual roles and responsibilities- as covenants not contracts and partnership is about trust, respect, integrity, accountability and equality.

It could be concluded from these descriptions that partnerships evolve over time. For OSS to benefit from the partnership arrangement and accomplish positive changes, the government should cultivate a balanced power relationship that entails reciprocal respect for fellow partners. As one citizen said:

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I have been attending the War Room forum where Community Caregivers give their feedback, but as community representatives, at times we have nothing to contribute. The program itself made us the receivers of services offered by the government and private sector, without much contribution from the community.

In most cases effective partnerships engage partners equally to assume and to exercise their rights in decision-making, as well as taking responsibility for their actions. Through OSS, citizens are encouraged to know their human rights. Community participation plays a pivotal role in OSS official documents since it creates a platform where communities can discuss their concerns about government services and topics such as staff attitudes, professionalism of civil servants, efficiency, access to services, etc. (KwaZulu-Natal Province, 2012). The lack of a clear role has resulted in people shifting service delivery responsibility to the government without making any contribution. This in turn has created a dependency culture in most of the communities in KZN. In addition to using partnerships to deliver services, the OSS program could help to mitigate the widespread dependency syndrome and entitlement mentality, which are so detrimental to communities. In order to avoid the dependency syndrome, OSS should be approached and implemented through an asset-based methodology developed by Kretzmann and Mcknight (1993), whereby focusing on people's strengths, talents, and abilities should lead to sustainable community development.

Enhancing Active Citizenship Through Communities of Practice

If community development is to benefit the primary stakeholders, people and communities need to take an active role in the development process from onset to completion. Active citizenship would not only facilitate centralizing power within communities but it would also unlock people's energies towards ownership and sustainability of the development processes. In this regard, an OSS Task Team member highlighted the importance of community participation:

OSS should be understood not as a government program but as a community-run initiative where government and other stakeholders are brought on board to engage with poverty-stricken communities regarding the possible ways in which their challenges can be addressed. Our people should be active citizens, as opposed to being passive recipients of government handouts.

One of the departmental officials commented on the role of OSS as a poverty and service delivery model:

The program should recognize under-utilized resources within local communities in order to mobilize empower and energize people, which could result in citizens gaining access to opportunities to influence decisions affecting their conditions of life.

This chapter differentiates between deeply active and passive acts of citizenship, arguing that the former requires people to take an active role in both governance and development-related activities, while the latter relegates people to a passive, inactive role whereby they wait for the government to provide services to them. The African National Congress (1994) distances itself from providing goods and services to a passive citizenry and embraces active involvement as part of increasing people's and communities' empowerment. One of the community members aptly said:

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As a community we should get involved, since the people who are affected by poverty are mainly the unemployed, those with HIV/AIDS, our elderly, youth, and the disabled, and this is good enough for us to take a leading role in development initiatives aimed at empowering and uplifting us.

OSS is a community-based forum whose agenda is met with active citizenship and heightened civic participation of members (Valtonnen, 2008). In the context of the program, Hart (cited by Mngxitama, 2006, p. 164) has argued that "citizenship alone does not guarantee living rights, and without basic livelihood guaranteed the promise of citizenship remains hollow". Klausen and Sweeting (2005, p. 214) associate direct involvement as an obvious solution to the problems of "democratic deficit".

ACCOUNTABILITY, MONITORING, AND EVALUATION

OSS involves multiple stakeholders, and hence accountability, monitoring, and evaluation are important facets of the program. The stakeholders meet monthly to report on the project's progress, and any who are absent are reported to their supervisors and superiors and are reprimanded. This process both creates and reinforces the program's formalization and institutionalization. Community representatives, such as ward committees and traditional leaders, are obliged to give feedback to their respective communities. Monitoring and evaluation (M&E) plays a crucial role in consolidating lessons learnt from the program. However, due to constant change of stakeholders, including community people and officials from government departments, it has proven difficult to engage stakeholders in rigorous M&E of the program. Government officials highlighted that OSS is more reactionary to the needs of the people and the communities, which makes it impossible to effectively monitor and evaluate the program's activities. KwaZulu-Natal Province (2012, p. 33) highlighted the importance of M&E in the context of OSS:

Monitoring is defined as the routine collection of data to measure the progress made towards the achievement of OSS. In the case of OSS, monitoring entails the use of selected indicators to track inputs, processes and inputs. Through this mechanism, the different Task Teams are able to identify gaps on in the process and adjust existing activities to reach the revised targets and outcome.

Monitoring is ongoing while evaluation is often conducted at the end of the program. Importantly, KwaZulu-Natal Province (2012, p. 33) describes evaluation as:

…about measuring the impact of the intervention as one will need to determine whether the action taken has made a difference to the beneficiaries' lives. Evaluation is also a yardstick with which to measure what has been completed and what still needs to be done, as well whether additional resources as required.

Accountability through M&E should not only decentralize decision-making processes when it comes to OSS projects, but should also help participants working in partnership with other stakeholders adhere to the principles of Ubuntu, such as respect, love, humility, and solidarity. The success of OSS decision-making processes should not be left to spheres of government and its departments but should galvanize a sense of responsibility and ownership. Gran (1983, p. 23) has argued that, for a program like OSS to be people centered and managed, it should emulate what he calls a:

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Small based organisation with a flat or horizontal decision making structure, open membership and decision-making procedures geared to ensure consensus. Base organisations should have as their principal task the conscientisation and education of the members with a further view to enabling them to fulfil their roles as active and socially responsible citizens.

In essence, the implementation of OSS strategy is anchored on empowering the poor and deprived and to conscientize the political elites about their situation and the possibilities available. OSS is centered on discouraging dependency by adhering to the golden rule of development as articulated by Burkey (1993, p. 211): "Don't do anything for people that they can do for themselves". In order to increase organizations' responsiveness, Rondinelli (1983) argues that organizations should be better structured and more sensitive to pressures from their environment, and they should provide incentives that reinforce and reward staff performance that satisfies the needs of their clientele.

Opportunities for Communities Through OSS

OSS, together with other proposed programs such as One Home One Garden and Area-based Development and Management (ABDM), are government initiatives aimed at addressing some of the challenges identified above. In 2005 the former President Thabo Mbeki introduced the Community Development Worker Programme in order to speed service delivery and devolve resources at a local level.

OSS is a service delivery model with the potential to activate intergovernmental relations by bringing together all spheres of government, including various departments, to a common space under the auspices of "War Room". It is a brand which says to citizens that government cannot go it alone – the community must stand up and join government to rebuild the fabric of society (Mkhize, 2012). From this articulation OSS signals a paradigm shift, no longer treating people who are physically and mentally disabled as passive recipients of handouts of services. If affected communities are to benefit from a program such as OSS, communities should be active participants and their efforts should complement those of the government. Indeed, OSS reflects the definition of community development put forward by the United Nations:

…community development embraces the 'processes by which the efforts of the people themselves are joined with those of government authorities to improve the economic, social and cultural conditions of communities, to integrate these communities into the life of the nation and to enable them to contribute to national progress (Ferrinho, 1980, p. 40).

The OSS program takes an inter- and intra-sector approach to community development, operating at community level. The main thrust of project Sukuma-Sakhe is to engage every member of the community to embrace and accept that government alone cannot bring about development (Ngidi, 2012). Democracy entails taking responsibility for our own lives. The government wishes to inculcate a culture of self-reliance through OSS, while at the same time acknowledging that a community is built by each and every member of that unit. OSS must be understood within the context of "community of practice" (Wenger, 1998 in Ledwith & Aspringett, 2010).) if it is to benefit its stakeholders. These communities of practice involve people mutually sharing insights and gaining new knowledge, engaging in learning, and creating new meanings together. Through OSS, government is able to provide services in an integrated and co-ordinated manner, as was emphasized by the official responsible for implementing OSS:

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The reality is that our provincial government has various programs as well as its department; unfortunately not all its citizens are aware of these services. Some people due to poverty and transport cost are unable to access available services and OSS is from the side of government a golden opportunity to ensure government through its spheres and department reaches the people and engage on issues relating to the best strategies on how to deal with these multiple challenges.

OSS provides the opportunity for communities and their leaders to partner with government and other stakeholders to make meaningful difference in service delivery at community level. A community leader described this process:

One of our tasks as community leaders is to mobilize and conscientize people to be active and responsible citizens, thus citizens who do not only demand services from the government without having something to contribute especially in building interdependent communities as opposed to dependent and passive communities who wait for government handouts.

Civil society organizations are therefore accessing opportunities to network and partner with government departments and stakeholders operating in the ward (KwaZulu-Natal Province, 2012).

CHALLENGES CONFRONTING THE IMPLEMENTATION OF OSS: THE ENTITLEMENT CULTURE AND DEPENDENCY MENTALITY AMONG COMMUNITY MEMBERS

A long history of colonialism and apartheid not only left people marginalized and excluded from the mainstream socio-economic and political participation, but it also created a culture of entitlement among the poor and disenfranchised. With regard to the marginalization of native people, Mashele and Qobo (2014, p. 2) argued that "apartheid could not be secured without their total economic disempowerment. This meant that the natives had to be deprived of their means of livelihood in order for them to be transformed from their conditions of self-sufficiency into purchasable and exploitable labour".

KZN is one of the poorest South African provinces, with rural communities feeling the brunt of underdevelopment (Twenty Year Review, South Africa, 1994-2014). Rural communities in KZN are not only confronted by the "evil triplets" of poverty, unemployment, and income inequality, but it is also one of the provinces with the highest number of people affected by HIV/AIDS (Terreblanche, 2012). Dire poverty exists mainly in the Eastern Cape and KZN, where more than half of the population, mainly women and young people, live in households with an income less than 300 Rand per month (Twenty Year Review, South Africa, 1994-2014). Cebekhulu (2010, p. 119) has argued that:

…the endemic lack of basic services impacts not only on standards of living, health status and well-being but also affects the overall socio-political and socio-economic conditions of communities and therefore impacts on the overall quality of life the scourge of could not be secured without total economic disempowerment but also engendered, both people and communities.

The ingrained sense of entitlement has devastating outcomes on people and negative impacts on their communities. Such a mentality deprives communities, especially the poor, of partaking in their

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own development, while their lack of participation gives politicians and community elites an upper hand when it comes to budgeting and resource acquisition and allocation.

OVERBURDENING CHALLENGES VERSUS RESOURCES AND CAPACITY

The majority of South Africans have been waiting patiently for socio-economic transformation since 1994, when the RDP was introduced. Eradicating poverty has become a major political, social, and moral imperative for citizens. South Africa has also made international commitments to eradicate poverty by adopting the Millennium Development Goals (MDGs) (Davids, Theron, & Maphunye, 2009). However, these commitments are not easy to implement. KZN is the second most populous province in South Africa, with an estimated population of 10.2 million people (Twenty Year Review, 1994-2014) that is an enormous challenge for a province with limited resources. The South African National Burden for Disease study of 2000 estimates the average life expectancy in the province at 52 years (Province of KwaZulu-Natal, 2013, p. 5), with the main causes of mortality associated with poverty and underdevelopment, HIV/AIDS, tuberculosis (TB), parasitic disease, and perinatal and maternal and malnutrition.

Statistics for KZN paint a dire picture. The 2008 Human Sciences Research Council (HSRC) South African National HIV prevalence, incidence, behavior, and communication survey results put KZN above other provinces with a 15.8% HIV prevalence rate. The survey also found that the HIV/AIDS burden is carried by the female population, where 1 in 3 females aged over 25 is infected. The second leading cause of mortality is TB, with diagnoses increasing from 98,498 in 2004 to 109,556 in 2007 (Province of KwaZulu-Natal, 2012, p. 1), representing a caseload of 1,054 cases per 100,00, five times above the epidemic threshold described by the WHO. Of these TB infections at least 70% are co-infected with HIV (Province of KwaZulu-Natal, 2012, p. 1). The emergence of drug-resistant TB, with a higher mortality rate than conventional TB, has made matters worse in the province.

KZN has a large population and the highest HIV/AIDS and TB infection rates in the country. It is against this background that OSS finds itself facing challenges of implementing the project: many in the province are vulnerable, illiterate, or semi-skilled, and hence many people may not be able to participate in their own development. It is obvious that the province is poverty-stricken and has scarce resources and capacity to implement a project of this magnitude, even though it has good intentions. One of the community representatives in the task team described the situation:

Government and its municipalities have a bad record in delivering services. People in the communities have urgent needs for basic needs and want them now and become very impatient, hence the service delivery protests.

The issue of trust among other stakeholders, particularly the beneficiaries, is fundamental to the implementation of OSS within communities. Mistrust develops from poor service delivery and this tends to hamper the implementation of projects, especially those which work in partnership with the government. Indeed, the erosion of service quality is one of the reasons that public trust in the government is declining (Roberts, 2005), as highlighted by a government official:

Once the needs are identified and prioritized, respective departments are charged with the responsibility of ensuring that services are offered. Unfortunately the urgency to address community needs is met

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with bureaucracy where certain procedures, protocols, and policies have to be followed before financial resources are released, more particularly infrastructural services that require huge funding.

Most of the department's officials interviewed were optimistic about the institutionalization and implementation of OSS as a program, highlighting its potential to conquer challenges such as poverty and unemployment. It became clear that if the program is to achieve its developmental and service delivery mandate, the culture of dependency and the entitlement mentality should be overcome and replaced by self-reliance and interdependence among the people.

FUTURE RESEARCH DIRECTION

Through the case study of OSS, this chapter has demonstrated the program's potential to not only deal with service delivery deficit, but also to partner with various stakeholders interested in mitigating the effects of socio-economic challenges. Thus, institutionalizing and benchmarking OSS as a service delivery model is a decisive and giant commitment by the provincial government of KZN. Future research could comprise a comparative study aimed at gauging the impact of the program to the participating and non-participating communities. Such a study would not only highlight the lessons learnt, but could also be instrumental in developing a model that balances the delivery of services through the convergence of active citizenry and an effective state.

CONCLUSION

If a government, especially local government, is to be effective and efficient in delivering sustainable services, it needs commitment to the ethos of good and responsive governance. This entails dealing with the evil triplet of poverty, unemployment, and inequality. Various structures and forums have been established since democracy was introduced, with the aim of facilitating, entrenching, and enhancing the effective functioning of government; however, these programs have had minimal success. Such failure has resulted in mistrust of the government and widespread strikes and demonstrations.

This chapter has examined Operation Sukuma-Sakhe (OSS) as a service delivery model aimed at curtailing people's dependency on the state and addressing the socio-economic challenges in the province of KZN. These challenges include poverty, unemployment, inequality, TB, the scourge of HIV/AIDS, as well as poor infrastructure. Thus OSS is seen as a program that can fight crime, educate, and facilitate health. OSS has the potential to not only activate intergovernmental relations for service delivery but also act as vehicle to reconnect government and people for the common good. Through OSS the efforts of the government and its various spheres and units are united with those of the people and organs of civil society to forge communities of practice. The success of the OSS will be manifest as active and genuine community participation, and this should be promoted and encouraged amongst all stakeholders.

This study found that the effective functioning of OSS depends on the full commitment of government, underpinned by a new social contract with various spheres and departments, communities, and citizens, as both recipients and agents of service delivery. Despite the stakeholders' commitment and political will, values such as integrity and honesty, as well as constant feedback, are fundamental to the program's effectiveness, efficiency, and proactive implementation.

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Chapter 60
Foreign Land Acquisitions: Household Livelihood With Some Evidence on Nigeria

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ABSTRACT

This chapter focuses on the impact of foreign land acquisition on the livelihood of the host communities. The chapter investigates Presco Industries, which has been in existence for the past 23 years in Obaretin and Ologbo Estates in Edo State. The impact on employment, entrepreneurship, community relation, environment, and farming, which are the main sustenance of rural communities, are also considered. The result of the Binary Probit Estimator employed shows that the existence of the company in the communities has not offered any significant impact on the livelihood of the people. All indicators of economic wellbeing are not significant for all the households. Therefore, there is need to incorporate the host communities' economic sustenance into the programmes of large-scale agricultural business before land acquisition.

INTRODUCTION

The means to economic well being of African people determine their livelihood. In traditional African society, the people are mainly farmers. Farming provides all live support for the people ranging from food supply to medicinal herbs. The early 1980s saw many African countries entering into extreme poverty trap with unemployment and stunt economic growth characterising their economies. The crises occurred as a result of world economic glut in which Africans became the major sufferers as they were producers of primary products with high elastic demand. Their foreign earnings depreciated heavily and they became entangled in loans from various financial institutions both at home and abroad. The government could not meet the demand of the economy which resulted in excessive cutting of government expenditure cum with high corrupt practices.

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The subsistence farming commonly practised cannot sustain the households' needs because the households became the major recipients of the effect of the economic hardship. Recent statistics reveals that over 70.0% of Nigerians are poor and very high in the rural areas where large number of people resides. The rural areas have abundant supply of arable land that can be used for farming activities but the use of crude farm implements make this unreliable. The livelihood of the people can be improved through cultivation of the land and this can be achieved through large scale use of the land. The emergence of large scale land users for agricultural activities provides the opportunities for rural households to have their livelihood improved. Advantageously, they are the major suppliers of the arable land to the users. They can offer their land in return for employment, increased agricultural productivity, and increased income earnings.

The focus of this chapter is to examine the impact of foreign land acquisitions on the livelihood of the host communities. To achieve this, the chapter will investigate the impact of Presco Industries Limited on the livelihood of the people of Agbomoba and other neighbouring communities in Edo State. The company acquired 18,000 hectares of land in the communities 23 years ago and intensive cultivation of the land for palm trees and palm oil production began 2001. The chapter achieves the following objectives: to identify the contribution of Presco Industries in terms of gainful employment; to examine whether the presence of Preso Industries has created social fragmentation in Agbomoba and the other communities; to examine the long term viability of Presco Industries in the communities; and to identify the possibility of Presco Industries enhancing even development in the communities.

BACKGROUND

Large scale land acquisition deals with acquisitions of several thousands of hectares of land for agricultural activities. This has become a common phenomenon in the recent times with demand rising from three major factors: food security for the citizens of the investing countries; energy security as a result of European Union's energy policies of capping greenhouse gas emission and other climate change incidents and therefore the need to produce bio- fuels; and the financial returns. Sub Saharan Africa has abundant land supply which is cheap in nature compare to elsewhere in the world. The cheap nature of this land comes from the fact that their money is highly depreciated (Brown, 2013). The continent has the largest reserves of arable land in the world (Wouterse et al, 2011). The total land deals in Africa alone accounted for over 134 million hectares of land in 2012 (IRIN, 2012).

Africa has large labour force in agriculture with 80 million small scale farmers supplying 95% of African food needs (Sindayigaya, 2012). The people of Africa are specially noted for farming. More than half of the sub- Saharan Africa involve in farming and in countries such as Burundi, Uganda, Rwanda and Burkina Faso, it is as high as 40% - 50% of the population (Block, 2010). It accounts for 32% of the gross domestic product and 65% of the labour force. There is low productivity and this comes from declining real prices on world market for agricultural exports; and from protectionism in countries that are members of Organisation for Economic Cooperation and Development. African countries are plagued with low income earning activities and there is high need for investment that will create avenues for rapid growth.

Large scale agriculture investment on land can provide means to end the problems of poverty and unemployment. These large scale acquisitions of land for agricultural activities can create sustainable economic development through the proceeds derived from the leasing. It will also provide employment opportunities and technology transfer that has hindered large scale utilisation of land for farming activi-

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ties in Africa. This increases agricultural productivity of the host countries; although this depends on how the host countries are able to hold the investors accountable. Evidence from Tanzania shows that large scale usage of land for agricultural activities by Green Resources in Tanzania, (a firm operating tree plantation), employed some local people as permanent and casual worker (Larsen, 2012).

There is possibility also that the presence of these investors in land may not lead to improvement in the livelihood of the rural people in terms of wealth generation; employment creation and unemployment reduction. This can come in the form of low labour retention as farming become mechanised (Brown, 2012). Stickler (2012) reveals that large scale agricultural activities generate low employment and low earnings in Uganda; and to when people have small holdings they are worse off.

They are associated with high capital intensive production with few labour demands. In the same vein, the produce may not be meant for host countries and host communities. The target may be solely for home countries which will lead to non- availability of the produce in the local markets in a way that will generate earnings for the rural people. Uganda's experience confirms this assumption. In that country, Stickler (2012) observes that large scale agricultural activities generate low employment and offer low earnings compared to what the people should have earned on their small farm holding.

It is a notable fact that there will be loss of farmlands to rural people because the large quantities of land under negotiations or already negotiated ones are those found in fertile land with water supply access and crop yield is relatively high; and additional inputs such as fertilizers, seeds, infrastructure and know- how will create abundant yields (FAO Report, 2012). These are the land already under cultivation by rural farmers and their livelihood is enshrined in whatever proceeds are derived from the produce. Since they live and work on the land, they have to relocate to other lands where the conditions prevailing in the previous ones may not be available and therefore they are reduced substantially to dependants.

These problems necessitate the need to investigate the impact of foreign land acquisitions on the rural households' livelihood. Nigeria is a potential target for the various seekers of land for agricultural practices and the present weak land institution in the country calls for a complementary effort to provide contractual modalities that balance the need for investment security and the imperative to protect poor farmers' access to land and improve their livelihood. What is the essence of land acquisitions in Nigeria if the livelihood of the people remains stagnant or depressed? Land acquisition should serve as economic empowerment for the people and provide a lasting means to unemployment problem in the country.

CONCEPTUAL FRAMEWORK

This chapter assumes that the presence of large scale agricultural firm in the host communities would lead to improved livelihood of the people through direct and indirect investment. Hence, there is a link between people's livelihood and large scale agriculture investment. The "Big Push Theory" states that a comprehensive investment package can be helpful to bring economic development. In this regards, an investment from large scale agricultural firm can produce the necessary development in the economic well- being of the host communities.

Figure 1 shows that the households are at the receiving ends and this indicates that they are the beneficiaries or losers in making their lands available to the large scale agricultural investment. The government and community leaders are at the centre and they are the major initiators of agreement between the community and the investors. There is a link between the communities and the large scale agricultural industry through community associations.

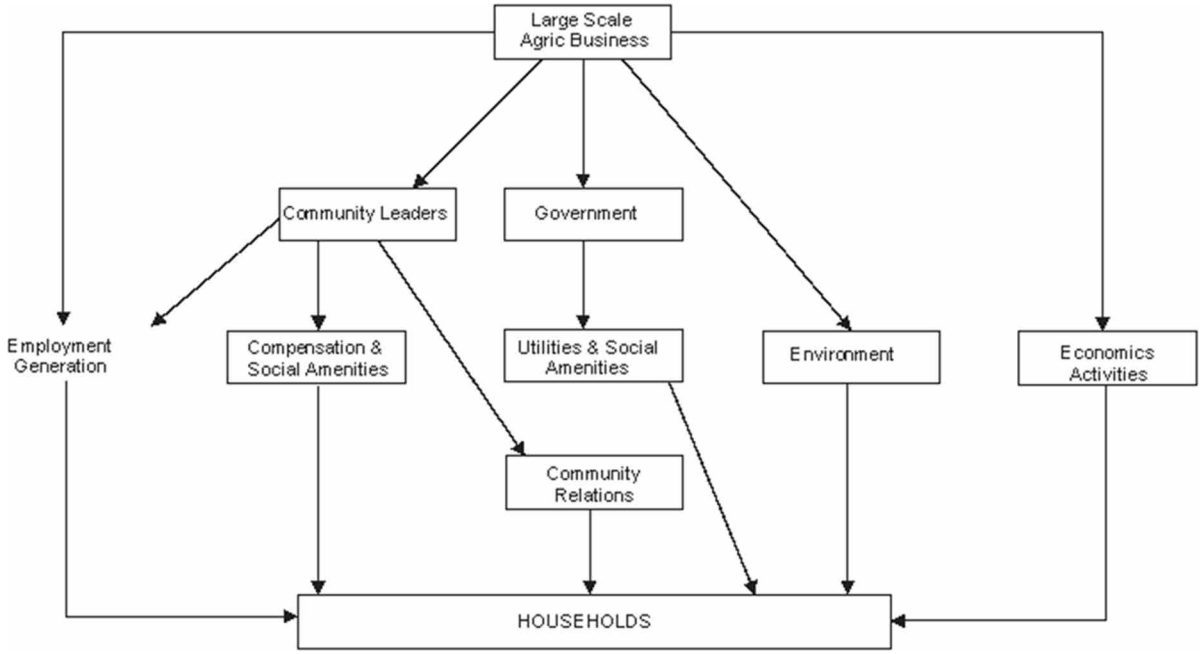
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The government compensates the households through community leaders. There is a direct link between the government and community leaders rather than between the government and the people. The same occurs between the large scale industry and people. This weakens the power of the people to improve their livelihood in the community. In actual sense, there are shadow links between people, government and the large scale agricultural industry. There is no direct contact and this creates inequality in access to the some benefits provided by the government and large scale agricultural industry for the people (Burdenwerper, 2012).

The host community gives up the most arable part of their land to the company. The loss of this fertile region leaves the households with poor soil which cannot sustain the current livelihood. The current livelihood of the households depends on the contribution from the company, the community leaders and the households themselves. The company may have employment policies with the host communities and being socially responsible to them as well. The community leaders may evenly share the proceeds from the sales or leasing of land with each beneficiary household and may decide to pull some resources from the proceeds to provide amenities such as pipe- borne water, electricity, community hall, recreation centre, vocational skill centres and so on. The households cultivate the remaining land for both household consumption and sales.

In situation where the remaining land is poor in fertility, the households' economic wellbeing will be greatly reduced or the households do not have any land to farm on. The households' sustenance depends on the proceeds obtained from the large scale agricultural firm; access to employment from the company and the ability of the households to create enterprises that are meant to service the company or its workers. Firstly, proceeds received as compensation for land loss can serve as means to economic wellbeing when the money is judiciously used for productive investment. The community leaders mainly the traditional leaders of the host communities can create social fragmentation among the people when

Figure 1. Conceptual framework



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they have other motives. This is the time there will be confrontation on who owns a particular portion of land and rising up of contenders for the ownership of such lands. This leads to some beneficiaries losing out their right to compensation and thereby reducing the means to their livelihood.

Second, access to employment depends on level of education of the head of the household and also on the number of workers required by the company. Since the company is highly capital intensive, the number of workers needed depends on the number of those that will serve the machine. Few workers will be required by the company. The potentiality of the households' head to secure a paid employment therefore depends on extent of education. The well paid employment requires higher level of education.

Lastly, the ability of the households to create business enterprises to service the company and workers depends on the company's products that can be traded by the people or the residential nature of the company. In situation where the company's products service outside markets and the company makes delivery at point of sales, the households have nothing to gain. Also, when the workers reside outside the company the local markets will not service their demand.

LITERATURE REVIEW

Africa has large labour force in agriculture with 80 million small scale farmers supplying 95% of African food needs (Sindayigaya, 2012). The people of Africa are specially noted for farming. More than half of the sub- Saharan Africa involved in farming and in countries such as Burundi, Uganda, Rwanda and Burkina Faso, it is as high as 40% - 50% of the population (Block, 2010). It accounts for 32% of the gross domestic product and 65% of the labour force. Though there is low productivity and this comes from declining real prices on world market for agricultural exports; and from protectionism in countries that are members of Organisation for Economic Cooperation and Development. The high level of poverty and unemployment currently plaguing many countries in Africa is searching for potential investors that will bring about increased employment. The coming of large scale agriculture can solve unemployment problem. For instance, Green Resources in Tanzania, a firm operating tree plantation, employed some local people as permanent and casual worker (Larsen, 2012). There is possibility of low labour retention as farm become mechanised (Brown, 2012). Stickler (2012) reveals that large scale agricultural activities generates low employment and low earnings in Uganda; and in comparing to when people have small holdings they are worse off.

Proceeds from the sales of land to investors on large land scale users have economic implication on the recipient households. It can lead to increase in their economic well- being. Several studies (Gurara &Burhanu, 2012; Arezki, Deininger & Selod, 2012) have discussed the benefits this brings on the host countries. Since the host communities are made up of different households, it means the proceeds have to be divided among them. The possibility of having occurrence of social fragmentation is very high. Social fragmentation is defined in this chapter as loss of unit or cohesion by the people of a unified settlement that arises as a result of unmet demands. There may be acrimony among the people in not being compensated evenly. In African society, land is held with high esteem and people can die in seeking redress over land. During proceeds sharing, those households who cannot lay strong claim to the ownership of their land may lose their entitlement because as Bowman (2012) notes, more than 90% of sub- Saharan African land is not titled.

The increase in the numbers of foreign large scale land users in Africa is showing that there is high potential for the sector to uplift the economic well- being of the people. The host countries can derive

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monetary and other benefits from such opportunities. Provision of social services has been identified as one of the indirect benefits of foreign land acquisitions. For instance, Green Resources, a firm operating tree plantation in Tanzania has provided schools, health posts, transportation farmers' produce to markets, roads and they have remitted money for community development. This money is managed by Green Resources for the infrastructural development of the communities. Local people are engaged as permanent workers and casual workers, though few of the people have permanent employment (Larsen, 2012). Such development in infrastructures is the construction of 40km irrigation canal and 40km paved road in Bougouwere by China National Hybrid Rice Company that acquired 25,000 hectares of land in Niger Republic. These were constructed at the cost of 55 million US dollar (Von Braun & Meinien-Dick, 2009).

The possibility of large scale farm creating unevenness in the host communities is very high. The cultivation of certain crops can lead to destruction of farmlands. The other available land may not be suitable for farming activities. In Niger Republic, the construction of 40km canal to irrigate hybrid rice made local farmers to lose their farmland and also close small irrigation outlet they were using to supply water to their farmland (Von Braun & Meinien- Dick, 2009). The farmers are denied abundant supply of water to their farmland thereby causing poor farm produce.

Creating entrepreneurship in the people is a way of paving for sustainable economic development in the host communities. The only way the host communities can become economically balanced is for them to have access to opportunities that will increase entrepreneurship potential. It has been observed that the existence of large scale agriculture business may kill the spirit of entrepreneurship in African people. African people have varieties of crops they cultivate on their land and make use of forest resources in such a way that maximise their livelihood. Many of the cultivated crops may have to give way for hybrid crops. The crops that are associated with industrial agriculture in the present times are hybrid rice, bio- fuels, sugar cane, and palm oil and so on. These are export crops that have no economic importance to the local communities. Losing their land means losing their food supply (Von Braun & Meinien- Dick, 2009).

The operation of the large scale farms is highly mechanised which means that there is little or no knowledge that is useful for the growth of local farm to learn and since the crops are not adaptable to subsistence farming system common in rural areas there will be a deficient of local earning by the people. Thus, the loss of their farm land will make them to depend on the land investors for gainful employment. Training Africans is essential for improving their livelihood but the production of bio- fuels and other hybrid crops on small scale may not support the livelihood of the people. These crops do not have immediate markets in the localities thereby increasing the cost of transaction.

METHODOLOGY

This chapter adopts a descriptive survey method that allows the authors to investigate some of the existing large scale agricultural firms in the country. The authors also adopt Binary Probit Estimator to estimate the nominal scale data collected from the field questionnaire. The authors focus on Presco Industries PLC because of its nearness to the host communities and the authors designed a questionnaire to elicit information from the erstwhile farmers of the land. Enumerators were recruited from the people in the localities that have the rudimentary knowledge of the areas. A total of 100 respondents were used in the survey. Presco Industries is a Belgian agro-industrial company specialized in industrial as well as

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smallholder plantations of tree crops, mainly oil palm and rubber, and allied processing industries such as palm oil mills, palm oil refining / fractionation, soap making and crumb rubber factories. The company holds a total of 20,800 hectares with 18,000 hectares in Edo State alone and the remaining 2,800 hectares in Delta State.

The company has its head office in Obaretin Estate where it holds a concession of 7,000 hectares and there is another 11,000 hectares in Ologbo Estate. The communities under the survey are those find within these estates. The company has oil palm plantation of 11,760 hectares of which 8,347 are mature; a palm oil mill with a capacity of 60 tonnes fresh fruit bunches/hour; a refinery/fractionation plant with a capacity of 100 tons/day; and a palm kernel crushing plant with a capacity of 60 metric tons/day. The company employs about 3,580 people, out of which 476 are permanent staff. The remaining 3,104 people are contract workers. This low sample comes from the fact that host communities are small in size and the number of households is less than 30 in some communities- Agbomoba and Uteis. The host communities such as Agbomoba, Obaghe, Obadan, Utesi and Uhohu are villages of few hundred people having farming as the main occupation. In terms of age distribution, the communities are mainly aging with few children. Many of the youth have migrated to the cities in search of jobs and other opportunities. Large number of the old people is illiterate; they depend on their children for information.

There is presence of formidable youth groups that strive for the development of their various communities. These youth only reside in the communities during the day in eagerness of the appearance of land buyers. The proximity of the communities from Benin City has negative impact on the development of the communities in the sense that this allows some of the people in the village to live in Benin City and operate their farms or business in the communities. The workers in the company also reside in Benin City where there is access to basic amenities. It provides easy access for people to live in Benin City and use the communities as transitory settlement where they own farmland and practise their trades. People come in the morning to carry out their economic activities and leave in the evening to Benin City. One settlement, Agbomoba has some indications of being isolated at a particular time because of civil unrest. There were signs of demolition and reconstruction and this is community that is next to the company.

Participation from the communities was very poor in the sense that people are afraid of being interviewed and large numbers of the people are illiterate. It was through the help of the three enumerators engaged that the people made themselves available for interview after demanding sitting allowance. All interviews took place with the support of one of the children that acted as the mouth piece for the elderly people. One disadvantage of this method is lack of full disclosure of information. There are possibilities of the households hiding certain information. The authors limit this problem by ensuring that the enumerators are people well known to the community people and people that participate in community development. Another limitation perceived is that the people can see it as opportunity to express their grief about the company. The authors informed them this is merely academic work and they are not social or human right activists; and this study has nothing with whatever transpired between them and the company or their community leaders.

The Empirical Model

The study has the aim of identifying the impact of large scale agricultural investment on the livelihood of the host communities. The study examines variables that have impact on influencing the livelihood of the people. Variables are education of the head of the household, employment of the household head, access to farm land, community relations, perceived environmental hazard of the company, indirect

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income earning activities as a result of the company and the economic well- being of the people. The Probit regression model is formulated as follows:

$$PR\ (EC_i = 1) = (\beta_0 + \beta 1 X_i + e_i) \quad (1)$$

The Probit regression model specified as Equation (1) is derived from the work of the following authors: Moore (2013), O' Hallan (2014) and Osabuohien (2014).

- **EC:** This is the dependent variable and the value of the variable is obtained by categorising the household. It is defined to mean the extent to which the people have access to basic/essential needs of life. This is to identify the extent to which the presence of large scale agricultural investment has changed the livelihood of the people.
- **X_i:** All these variables denoted by X are categorical variables and they are education of the head of the household, employment of the household head, access to farm land, community relations, perceived environment hazard of the company, indirect income earning activities as a result of the company and the economic well- being of the people. They are obtained from the survey conducted. They are all binary values.

Definition of Variables

- **Economic Well-Being of the Households (EC):** Since the chapter entails assessing the impact of large scale agricultural investment on household livelihood, there is need to examine the economic well- being of the households. The following are considered in determine whether a household lives economically well; assets owned by the household, access to basic social services, sex of the household head, access to electricity and clean cooking facilities; access to clean water and ownership of houses. They take a value of 1 and 0 to households with and without these facilities respectively. The authors assert that 23 years of operation of the company should have improved the livelihood of the people through direct or indirect contact.
- **Education Level of the Household Head (EH):** This variable is included because it determines the chance of the households having access to employment opportunities. The industry in the community is highly capital intensive and as such it requires few numbers of unskilled labor. The head of the household with higher certificate can have opportunity of securing paid employment in the company which will enhance the wellbeing of the household. If the head has certificate higher than teacher training certificate, it earns 1; otherwise 0. The expected sign is positive, the higher the status of education attainment, the higher the opportunity of good earnings.
- **Employment of the Head of the Household (EP):** The chapter considers household that the head works in the company. If the head of the household works in the company, this takes 1 and 0 if otherwise. The income earned by the head of the household will enhance the economic wellbeing of the household. Since the consideration is on Presco Industries, it is considered that working in the company by the head of the household will increase economic well- being of the household. The expected sign is positive.
- **Farmland (FL):** The household that has farmland takes 1, and the one without farmland takes 0. The household whose land was not acquired will fare better than the one that loses their own.

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It will therefore contribute to the well- being of the households. The expected sign is positive. Households that have farmland will have high standard of living.

- **Community Relations (CR):** The payment on the sales of land obtained from Presco Industries can lead to improved livelihood of the people or otherwise. When the proceeds are evenly shared and no rancour exists, the beneficiaries can invest the money prudently. If otherwise it can lead to instability and people live in fear. The affected may quit the community or unable to invest the money on productive investment. This leads to low standard of living. This variable includes the unrest that happened 23 years ago when the company commenced operation on the land. There was civil fight in the community that led to imprisonment and destruction of properties when the people revolted against government's decision to allocate the land to the company. The expected sign is negative. The occurrence of communal clash will lead to loss of economic wellbeing for the households. If household indicates no occurrence of rancour they take 1, if otherwise they take 0.
- **Environmental Hazard (EV):** The production of palm oil and other palm product may have environmental or health effects on the people. The chapter considers the side- effects of company's operations. The company has some heavy- duty trucks that supply palm kernels from the farm to the factory. These heavy- duty trucks ply on bad road. The road is dusty and produces heavy dust when the trucks ply on it. The factory workers, villagers and other users of this road are exposed to dust. If the households perceived that it will have effects on them, they indicate it and this takes 1. Otherwise, if the households fail to indicate, it takes 0. The expected sign is negative because this will reduce economic wellbeing of the household.
- **Economic Activities (SI):** These are defined as the activities that earn income for the households that emanate as a result of the company existence in the community. If the households indicate that the existence of the company makes them to start a business or involves in a productive ventures, they have 1, otherwise 0.

EMPIRICAL EVIDENCE AND DISCUSSION

Descriptive Aspect

The household survey conducted in the month of March and April, 2014 revealed the following information about the livelihood of the households in the communities. The host are made up communities of peasant people and only few are workers in public and private establishment. Few of the host communities- Agbomoba, Obaghe, Obadan, Utesi and Uhohu participated in the survey.

1. Economic Status of the Host Communities

Gainful employment is an indication of the wellbeing of a household especially where the head of the household is gainfully employed. The chapter investigates the numbers of people in the households that have gained employment as a result of the presence of the company. Their previous employment with their present employment is compared to identify whether there has been a significant change. Figure 2 shows the number of people in the households who are presently employed.

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Figure 2. Nature of households employment

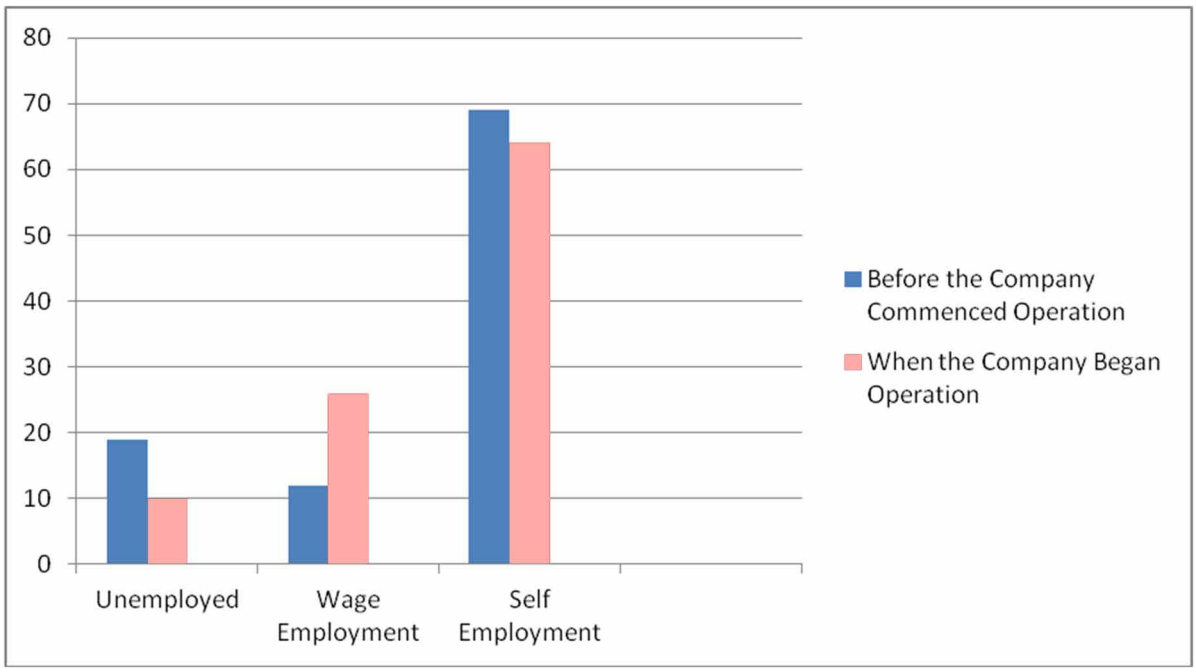


Figure 2 shows that the company has contributed to reduction in the number of unemployed people in the communities. Nineteen respondents indicated that they were unemployed before the company came into the communities and nine of these respondents have secured jobs. It can be seen that the existence of the company has made some people before who operate business of their own to seek paid employment. The number of people who are self- employed has reduced by nine. The category of self-employed includes farmers, traders and artisans. Only one respondent indicated that the existence of the company has made him to lose his trade.

The present standard of living of the people is examined vis-a-vis the facilities they have currently in comparison with previous ones. This information is provided in Table 1.

Table 1 shows the facilities available in the households situated in the communities. There are significant changes in the type of houses they live in. Many households still make use of pit latrines. Electricity provided by Power Holding Company of Nigeria (PHCN) is available to all households and this might have been due to the existence of the company. Another significant change is water. The number of households making of use of borehole water has increased to 64 from 13. The company constructed boreholes for the households and it is piped to different streets. Information obtained reveals that the communities take the responsibility of maintenance when the company failed to repair it.

The chapter goes further to make comparison between the previous standard of living of the people before the company came into existence and after its existence in terms of facilities acquired by the households such as ownership of houses, household equipment, means of mobility, access to modern energy and essential amenities. The information obtained is given in Table 2.

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Table 1. Facilities in the household of respondents

S/N	Facilities	Number Available Before	Number Available Presently
1	Type of buildings: Single room Flats Detached house Bungalow Duplex	 60 38 1 - 1	 57 40 2 - 1
2	Water supply: Pipe Well River Borehole	 48 38 1 13	 9 26 - 64
3	Electricity: PHCN	 86	 100
4	Toilet Facilities: Pit Pail Water Cistern	 76 5 19	 74 - 26

Source: Authors' Survey, 2014

Table 2. Items in the household of respondents

S/N	Household Items	Number Available Before	Number Available Presently
1	Bicycle	76	76
2	Motorcycle	53	81
3	Motor Vehicle	12	14
4	Stereo	21	35
5	Gas Cooker	-	1
6	Cooking Stove	59	74
7	Radio	84	92
8	Television	35	73
9	Electric Fan	39	68
10	Air Conditioner	-	1
11	Refrigerator	-	18
12	Carpet/Rug	58	85

Source: Authors' Survey, 2014

Table 2 gives the household items that are found in the houses of the respondents. The items available in the households of the respondents before the company commenced operation can be compared with items presently in their households. It can be seen that items of luxury such as air conditioner, refrigerator, and gas cooker are very rare in the households of the respondents. More households were able to acquire motor cycles, television sets and other items when the company commenced operation in their communities. The change in asset base may not be attributed to the company alone, the changes may have come from other income earning activities of the people. At present, the people are selling their land and the proceeds may have been used in increasing their asset base. There is a clear indication that the company opens economic opportunities for the people.

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2. Income Generation Sources of the Households

The chapter considers the means by which the people generate income through their involvement in economic activities. In this aspect, a comparison is also made between their economic activities before the company acquired the land and after. The information obtained is given in Table 3.

In Table 3, all economic activities that provide income for the households are surveyed to know number of household members involved and monthly earnings from the economic activities. There is a decline in the number of people involved in some economic activities and decline in income also. This necessitates the need to know some economic activities that have been stopped by the existence of the company. Table 4 provides the information.

Table 3. Economic activities of the households

S/N	Economic Activities	Number Involved Before/ Monthly Earnings	Number at Present/Monthly Income
1.	Sales of livestock	12 (N2500.00)	8 (N1,000.00)
2.	Sales of field crops	33 (N9,000.00)	22 (N6,250.00)
3.	Sales of vegetables	32 (N2,900.00)	29 (1450.00)
4.	Sales of fruits	26 (N3,000.00)	24 (4,000.00)
5.	Sales of bush meat or fish	13 (N6,000.00)	17 (N3,500.00)
6.	Sales of medicinal herbs	8 (N1,500.00)	3 (N1,500.00)
7.	Sales of wood, bamboo, raffia	22 (N12,000.00)	14 (N17,500.00)
8.	Sales of handicrafts	12 (N2,500.00)	14 (N2,000.00)
9.	Other self-employment	69 (N4,000.00)	65 (N10,000.00)
10.	Wage employment	12 (N10,000.00)	26 (N40,000.00)

Note: The median monthly income is given in parenthesis
Source: Authors' Survey, 2014

Table 4. Economic activities of the households

S/N	Economic Activities	Number	Reasons
1.	Rearing of livestock	4	Farmland loss to the company
2.	Cultivation of field crops	12	Farmland loss to the company
3.	Cultivation of vegetables	5	Farmland loss to the company
4.	Cultivation of fruits	4	No good harvest
5.	Catching of bush meat or fish	3	Lack of bush
6.	Production of medicinal herbs	-	-
7.	Sales of wood, bamboo, raffia	2	Farmland loss to the company
8.	Sales of handicrafts	1	Farmland loss to the company
9.	Other self-employment	16	To seek wage employment; secure job
10.	Farm work	12	Secure wage employment; Farmland loss to the company; no spare time

Source: Authors' Survey, 2014

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Table 4 reveals the number of economic activities that have been stopped by the respondents. From Table 4, farming activities have been greatly affected by the coming of the company into the communities. One, it makes some economic activities to be stopped. Two, it has made many people to seek for paid employment and 3 respondents affirmed that they abandoned their trades in order to seek employment in the company.

Efforts were made to identify the properties that the households have lost due to the coming of the firm into the communities. Table 5 provides the details of the information obtained from the respondents.

Table 5 shows that the households acknowledge the loss of landed property and cultivated farmland. Twenty four households affirmed that they have lost landed property to the company and the estimated monetary value is put at N11, 850,000.00. Seventy one households also affirmed the loss of cultivated farmland and this is valued at N81, 970,000.00. Thus, the major negative effect to households arising from foreign large scale land acquisition is loss of land by indigenes or host communities.

3. Communal Relationship in the Community

The authors asked the villagers to indicate whether they were compensated when the land was acquired 21 years ago. 18 households in Agbomoba community indicated that they were not compensated. All households in other communities such as Obaghe, Obadan, Utesi and Uhohu indicated that they were compensated. The households indicated that the compensation was judiciously spent in the communities but a thorough survey of the communities did not reflect this compliment. There is infrastructure such as community town hall, market stalls, community health centers, community schools or skill acquisition centers and good roads. Though there is pipe borne water that supplies water to every house and a strong youth movement with special interest in land mongering, all the households affirm that each family, clan and community was well catered for by the compensation and the compensation did not lead to disunity. The 18 households in Agbomoba that were not compensated might not be among the land owners in the community because the author interviewed some people who were non-natives of Benin City.

Table 5. Properties of the households

S/N	Properties	Number	Monetary Value
1.	Landed property	24	N11, 850,000.00
2.	Cultivated farmland	71	N81,970,000.00
3.	Freehold premises	-	-
4.	Motorcycle	-	-
5.	Motor vehicle	-	-
6.	Stereo	-	-
7.	Cooking stove	-	-
8.	Radio	-	-
9.	Television	-	-
10.	Fridge	-	-
11.	Carpet/rug	-	-

Source: Authors' Survey, 2014

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4. Viability of the Community Through Large Scale Agricultural Investment

The company has a policy of recruiting five people from the community annually to promote their social responsibility. In terms of employment generation, the company has been able to reduce unemployment in the community. 49.0% of the community dwellers affirm the potency of the company in employment generation. The main problem is that the employment generation has not been transformed into entrepreneurship development. As the time of conducting the survey, the community has no vocational centers. The youth are without any vocations or skill acquisition. They participate in local politics and land mongers. They are enticed with the proceeds they received from the company and this made them to be in search of land buyers. When the authors first visited the community, they wanted to know whether they had come to buy land and when they knew their mission they sought their help in securing buyers for them.

Summary of Statistics of Selected Variables

The mean and standard deviation obtained from the analysis for comparison are reported in the subsection. The authors separate the households in the communities with reference to their current economic wellbeing. There are two categories- high standard of living (HSL) and low standard of living (LSL). The findings are reported in Table 6.

Examining some of the variables such as employment in Presco, access to farmland, involvement in economic activities due to the existence of Presco (enterprising) and community relations (no occurrence of unrest), there are quite differences in the values of mean and standard deviation between households with high standard of living and those households with low standard of living. The mean of the households with low standard of living that are employed in Presco Industries is higher than that of those households with high standard of living that are also working in the company. One implication of this is that these households are losing some economic rewards by working in the company. Many of them are contract employees and this may hinder their ability to seek for better employment or start profitable ventures. Contract workers have high level of vulnerability to instability which may make them to live in uncertainty.

Table 6. Summary of statistics of variable of households with HSL and LSL

Variable	Description	All		With HSL		With LSL	
		MEAN	SD	MEAN	SD	MEAN	SD
EH	NCE and above =1,0 if otherwise	0.13	0.347	0.18	0.39	0.097	0.29
EP	Employed in Presco =1, 0 if otherwise	0.51	0.502	0.06	0.25	0.65	0.25
FL	Farmland not acquired = 1, 0 if otherwise	0.615	0.479	0.61	0.49	0.677	0.47
CR	No occurrence of unrest=1, 0 if otherwise	0.85	0.359	0.79	0.41	0.89	0.32
EV	Occurrence of air pollution=1, 0 if otherwise	0.10	0.301	0.47	0.506	0.53	0.50
SI	Enterprising= 1, 0 If otherwise	0.22	0.402	0.16	0.37	0.26	0.44

Source: Authors' computation, 2014

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The company has over 3,580 workers with 3,104 contract workers. The earnings from working in the company by contract workers may not be high to sustain their economic wellbeing. The mean value for education (0.098) further indicates that many of them have below NCE, which means that the employment opportunities they should have access to is casual work. Similar situation occurred in Uganda, Stickler (2012) finds that the earnings from working in large scale farms is low compared to what the people should have earned on their small farm holdings.

The current employment quota given to the community made over 44.0% of the people surveyed to accept that the capital intensive nature of the company can lead to low employment generation in the future. The community has not met the target of providing five people annually to work in the company. Information from a reliable source hinted that the youth leaders allow people from other communities to fill the vacancy for a fee. The aging nature of the population can be cited as one possible reason for inability of the people in the communities to occupy the five jobs given them each year; though this is mainly contract works with low pay and may not be suited for the aged.

From the descriptive statistics presented above, working in the company has created occupational mobility. People who previously have trades or vocations of their own have abandoned them in search of wage employment and there are some individuals in anticipation of securing employment in the company abandoned their current profession. This mobility has reduced the number of people that are engaged in farming activities. They do not spare time to engage in farming because many of them work for seven days in a week. Households' dependency on the company for employment rather than maintaining their small holding farms is the major factor in reducing their standard of living.

Further investigation shows that the households with low standard of living have mean value (0.677) of farmland which is higher than the mean value (0.605) of the households with high standard of living. The households that lost their farmlands to the company are many in number. This indicates that loss of farmland reduces the economic wellbeing of the households. They are unable to cultivate their land to increase their wellbeing. The livelihood of rural communities depends on land. Examining the descriptive data supplied above in line with this finding shows that 24 households in the host communities have lost landed property and 71 households have lost cultivated farmland valued at N11, 850,000.00 and N81, 970,000.00 respectively. The loss of land has reduced farming activities and some economic activities such as sales of wood bamboo and raffia, and sales of bush meat that provide high income for the people has declined. These two economic activities require large portion of land which has been lost to the company.

The households with low standard of living are more industrious than their counterparts. Their mean value of enterprising, 0.258 is better than the mean value of 0.158 of those with high standard of living. The reason may be that the households with high standard of living engage in well- paid jobs or productive business. One implication of this finding is that the poor wants to increase their wellbeing and this should have risen if the company supplies products that can be sold by the community people. The company mainly supplies speciality fats and oils. These two products have no relevance to the communities. They are industrial commodities sold on large scale.

Regression Result

The results obtained from probit regression computed on economic wellbeing of the rural households. The information is given in Table 7.

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Table 7. Results from probit regression

Variable	Dependent Variable: The likelihood of large scale agriculture business increasing the host communities economic wellbeing		
	A	**B**	**C**
CR	-0.531 (0.375)	0.039 (0.057)	
EH	0.407 (0.467)	0.1066** (0.0647)	
EP	0.431 (0.467)	0.2917* (0.0751)	-0.604 (0.719)
EV	-0.241 (0.268)	0.03809 (0.0357)	
FL	-0.212 (0.289)	0.0931** (0.0404)	-0.3050 (0.679)
SI	-0.341 (0.331)	-0.048 (0.0413)	
Constant	0.3702 (0.4606)	-0.0179 (0.0672)	1.78 (0.629)
Pseudo R^2	0.053	0.434	
Log pseudo likelihood	-62.862	39.321	-10.732
Observations	100	62	38

Note: *, **, *** mean significant at 1, 5 and 10% respectively
Source: Authors' computation

The economic wellbeing of the households has been indicated as the dependent variable; noting that the presence of large scale agricultural business will lead to increase in wellbeing of the households. As expected, the education of the heads of the household and employment of the heads of households in Presco Industries Limited has positive impact on the economic wellbeing of the households, though they are not significant. This means that if the heads of the households have opportunity of employment in the company and secure permanent employment in the company through having certificates higher than NCE their wellbeing would have been enhanced. At present, these two variables do not have significant impact on the economic wellbeing of the households. A conclusion that can be drawn here is that the company mainly employed contract workers.

This supports the generalized findings that employment in large scale agricultural business does not increase the wages of the workers. The low paid nature of contract workers has negative impact on their economic wellbeing. The non- significant of the company with employment generation can also be observed from the fact that the company mainly employed contract employees which leads to job insecurity. The job insecurity associated with contract employment may cause low labor retention in the company. Also, the chance of reengaging an old worker is very low in the company because of the need to convert them to permanent staff. Another reason for the insignificant can be derived mechanized nature of the company. The rise in employment of more capital leads to decrease in the number of labor employed (Brown, 2012).

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The existence of the company does not have significant impact on the economic wellbeing of the households in terms of becoming enterprising. The sign is negative and this means that it does not create enterprises in people. This is because the company does not have any sales outlet in the communities where the people can benefit through establishment of cottage business to service the patronisers of the company. The products are supplied directly to sales point without any contact with the community and they are not made available in the local markets because they are industrial products. In column B, it is also negative and insignificant. This shows that the households with low standard of living have not really derived benefits from the existence of the company in terms of venturing into cottage business. These households should be the main beneficiaries of the company in the communities.

From Table 6, community relation was introduced to assess whether the existence of civil unrest that happened in the communities when the company came into being has impact on the economic wellbeing of the people. As specified, the sign is negative but not significant. This means that the existence of community unrest reduces the economic wellbeing of the households in the community. This means community relation does not have impact of economic wellbeing but its existence in the community can make people to live in fear and this may have their chance of involving in activities that enhance their wellbeing. The chapter expects farmland to contribute the economic wellbeing of the people and positive sign is expected but the loss of farmland to the company reduces their economic wellbeing. This is positive in Column B, but not significant. This can come from the fact that households with low standard of living depend greatly on the communities for support and they may support whatever decisions are made by the community leaders. Another reason may be fear. The first time the authors went to the communities people were afraid of being interviewed and they directed them to the youth leader in one of the communities.

The Column B shows that the educational status of the head of the households, ownership of farmland and employment of the head of the households are significant and positive with economic wellbeing of the households with low standard of living. This indicates that if these households have heads that have certificates higher than NCE, there will be high possibility of securing well paid job in the company and also access to farmland will increase their economic wellbeing. Their farmland should have been of economic benefits for them. Though employment in the company variable statistically is significant and positive with their economic wellbeing, their earnings may be low because of the nature of employment in the company which is mainly on contract. It is only when they achieve some level of education that qualifies them for administrative and professional jobs in the company will they be able to earn better wages.

Considering the households with high standard of living in Column C, it can be seen that the variables employed are not significant and are negative. Farmland and employment of the heads of the households are not significant and are positive. The existence of the company has not offered significant contribution to the economic wellbeing of these households. These may come from the fact that they have lost their farmland in which the yield is higher than what they earned by working in the company. One other reason is that the head of the households may have some level of education in which the contract nature of employment in the company may not be suited for. The implication that can be drawn here is that large scale agricultural business may not have significant impact on households with high standard of living. This is because these households are educated; have potential of securing well- paid job and may have large farms that yield good returns for them than employment with the company.

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SUMMARY AND CONCLUSION

This chapter has examined the impact of the existence of Presco Industries on the livelihood of the host communities. The host communities are mainly peasant farmers, with few government workers. The chapter categorized the households into those with high standard of living and those with low standard of living, based on their current economic wellbeing, and the general economic wellbeing of the communities. The company has been in existence for 23 years; as such its impact in the communities on their livelihood can be easily assessed. The chapter identifies factors that contribute to the economic wellbeing of the households to investigate the impact of Presco Industries on the communities. Employment is imperative to the wellbeing of the people but the company has not being able to improve the livelihood of the people through it. The company does not play significant role in employment creation. The contractual nature of the employment is not beneficial to the communities. Moreover, many of the employees are not resident in the communities, they commute from Benin City.

Entrepreneurship is another important factor in economic development. The existence of the company supposed to lead to creation of cottage business in the land but this is far from being the case. The company produces commodities that require large scale commercial outlet which is not relevant in peasant communities. The loss of farmland to the company further reduces their livelihood as the compensation could not lift their standard of living. The policy issue in this respect is how government policy can encourage companies with such limited local multiplier effect to implement corporate social responsibility programs for their host communities.

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KEY TERMS AND DEFINITIONS

Agbomola: A community near Benin City, Nigeria. The people are mainly peasant and are subjects of the old Benin Kingdom.

Community: A living together of people who share the same cultural heritage.

Contract Workers: Workers on temporary employment.

Economic Activities: All activities that promote the wellbeing of rural households.

Economic Wellbeing: A variable that describes the extent to which a household has access to essential of life.

Host Community: The community that provides land for the use of large scale agricultural business.

Household: A group of people living together under the same roof.

Large Scale Agricultural Business: A firm that acquires land in developing countries for large scale farming.

Large Scale Land Acquisition: This deals with acquisition of several thousands of land for agricultural activities.

Self-Employed: People operate business of their own.

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Chapter 61
ICT: A Magic Wand for Social Change in Rural India

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ABSTRACT

The concept of automation was first seeded worldwide by Industrial Revolution. Liberalization and privatization has contributed much in the welcome of updated and upgraded technology in India. World Wide Web being the core connector of earth rightly supports Mc Luhan's concept of the 'Global Village'. ICT- Information and Communication Technology is an initiative cum phenomenon that is taken on Public-Private Partnership (PPP) in order to build a bridge between the two sections of the society (technology haves and have nots) so that it is accessible to all. e-Governance, e-Health and e-Commerce are some of its applications. India has witnessed a number of successful E- Projects. Nonetheless, the argument of social exclusion, questions on technology support communication and information dissemination is still on. The article intends to throw light on various aspects keeping in line with the ICT projects in India, the type of ICT usage and a comparison between the already established communication models.

INTRODUCTION

The seeds of Industrial Revolution and technological innovation have grown up to spread its roots much strongly in the 21st Century in the form of telecommunication, computation and World Wide Web. Landing in the technology driven era where automation is the central concept; distances are shortened and spaces are virtually killed while paving a way to a more transformed and transparent world. Communication technology has made it possible to propagate information in a much faster and easier way. This has enabled to build a society enriched with information – "Information Society".

Information society is one of the key terms that describe the modern world we live in today. It is said to be an outcome of the industrial and post-industrial society (Sarrocco, n.d.), where the creation, dis-

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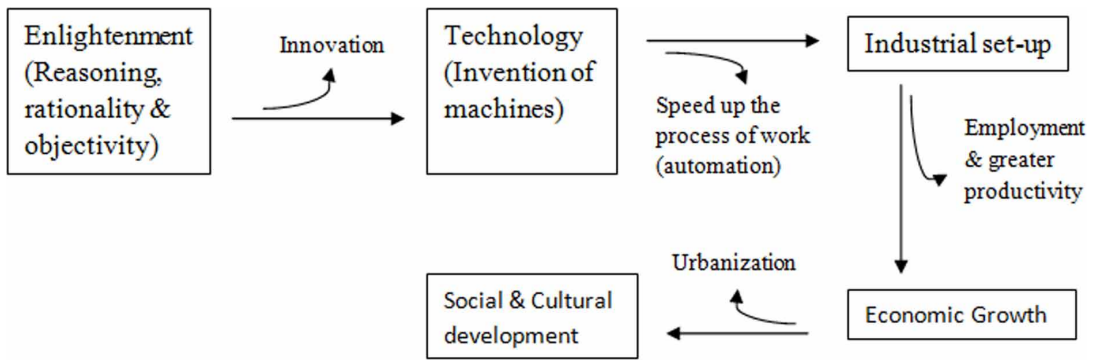
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tribution, use and integration of information is recognized as an active political, cultural and economic activity in order to enhance participation and promote social inclusion (DESA, 2009). But information dissemination alone is not the magic solution of problems like hunger or poverty. In fact 'Right information at the right time' is the key to solution (Chhavi, 2008). Be it the cost of seeds and other raw materials required by farmers or the recent health care planning by the government, that plans to provide free health check up for expecting mothers; information stand alone is not important, but dissemination of it at the right time such that the end users can utilize the information and benefit themselves from the same is vital. Rural population in India are undereducated in terms of the policies, plans and programmes taken to aid them of facilities and amenities required for sustainable development and better living.

Information society concerns the use of information for societal upliftment, social control, management of innovation in order to ensure a better quality of living, break the boundaries of community and ensure better and organized work, that also finds application in solving rural problems of poverty, inequality, illiteracy and environmental degradation (Rahman, 2008). Therefore, information deals with human intellect. In a nutshell, information society combines human intelligence and technical innovation together to give rise to the concept of 'technology-support development' where the 'way to use' a technology is focused at. It can be put in two ways- One, technology providers make use of the right technology at the right place (also referred to as 'context' by some experts), i.e. at the planning and execution level. Two, the end users make use of the technology for their own benefits (with reference to e-literacy). For example, installation of kiosks and computers in rural areas are not enough until it is the right technology for the purpose targeted and the target mass is capable of using them for own benefits.

A quick sneak peak in the history of social & technical development unearths the fact of the matter of the long going debate of technology supporting development. The first seed of development paradigm, as highly known today among the academicians, is the modernization theory or the dominant paradigm of development. This era was marked by technological innovation, capitalistic capability and experimentation to pave the way towards an economic boost. Advocates of the theory- Wilber Schramm (1964), Everett M. Rogers (1969) and Lerner (1958) greatly believed in technology bringing development (Figure 1). Some of the primary features of the industrial society could be categorized as power production, increase of per capita production, high mass consumption, human liberalization and maximization of profit. However the negative peripheries include strikes, labour movement, urbanization and unemployment (Masuda, 1980).

Figure 1. The model describes the course of development according to modernization theory



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The process of innovation in the West eventually penetrated in the developing nation like India, where application of technological innovation can be rightly segregated in two forms:

- **Setting up of Industries:** For better & speedy productivity leading to economic development and growth of
- **Mass Communication Technologies:** For reaching the mass people and encouraging the implementation of the Right to Information Act.

Setting up of industries provided employment and improved the quality of living; while mass communication technologies made it possible to diffuse information into every layer of the society. Another important goal which is achieved with the development of mass media technology in India is less dependency on foreign sources of news or biased news[1].

ICT in Indian Context

The journey of technology as a catalyst to social change was started in India by proper, systematic and equal dissemination of news and information. Later it was relayed forward with the help of several experiments done with Television and Radio. Both the government owned mediums were used successfully in educating a brief segment of people living in remote villages on an experimental basis (*SITE & KHEDA* projects, 1975). The economic liberalization in India opened the door to several Multinational Companies (MNCs) and 100% FDI in selected sectors boosted the journey of technology in India. Internet being one of the greatest inventions and innovations of the modern society, standing in 2014, Information and Communication Technology (ICT) has taken over most of the charge as more and more private companies as well as the government sector takes aid of ICT at domestic level in the form of e-Governance, e-commerce and e-health to bring up the information revolution close to the people of rural and remote areas (Thomas, 2009).

Even in the present scenario, 70% of India depends on agricultural source of income. Thereby, agriculture plays a vital role in India's economy in terms of poverty mitigation and employment generation, and contributes up to a quarter of national income (Siriginidi, 2009). Rural poverty is a complex phenomenon. The idea of several factors made responsible for rural poverty, like economic, social and environmental (Reimer, 1997; Bosworth & Atterton, 2012), make 'rural poverty' more complex as a concept and problem. (Giles, Bosworth & Willett, 2013). ICT is a fuel to global economy (Siriginidi, 2009; Chhavi, 2008). But its share in the recent past saw a steep declination from 56.5% in 1951 to 24.3% in 2002. The agricultural workforce too saw the retardation from 76% in 1961 to 60% in 2000 and with the continuous growth of the population of 15.5 million and existing government polices is would be very difficult to develop rural areas successfully. Therefore, new plans and programmes should be developed in order to keep pace with the recent changes, install 'innovations of information technologies' (ICTs) with active participation from development organizations (Siriginidi, 2009). ICT is the new hope that can eradicate problems of rural poverty, inequality and environmental degradation (Bhatnagar, 2000).

In a country like India where 3/4th of the population still depends on agrarian source of income, introduction of innovations of technology and digitalization has created a digital divide between the technology haves and have-nots as most of the people are either uninformed and technology illiterate or

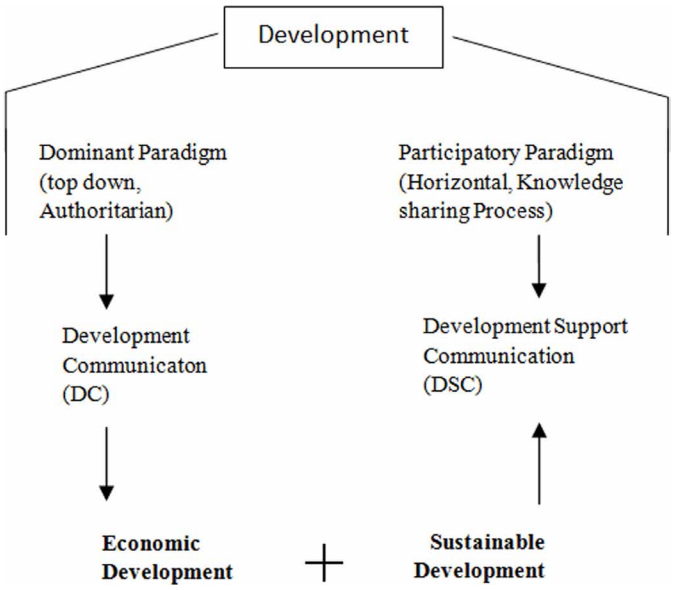
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they do not have the purchasing power to avail the same. Also, in the developing scenario, it is greatly important for a country like India to penetrate information at every level in order to minimize communication lag and foster transparency in each of the three tiers of the government. Another important thing that also became necessary to develop is the logical reasoning and power to differentiate between the right and the wrong. ICT serves the bridge between them and tries to teach the rural mass how to drive the technology for their own benefit. This is one of the features of information society where it advocates the concept of technology being driven by human intellect and for their own benefit and not the other way round.

ICT avoids dependency on technology and favours development support communication. Rural poverty with reference to India is a complex phenomenon and a dominant approach to solve it can only cut down the ambition. (Bhatnagar, 2000). Development Support Communication- the word and concept was coined and ideated by one of the communication scientist Robert Erskine Childers (1976). It was re-postulated and recognized that development communication is an offshoot of dominant paradigm where economic development forms the main route to development. But later it was found that, in Indian scenario, sustainable growth and development was important over/ at par with economic development as most of the rural India is deprived of the modern facilities and stay in poor conditions of live (Melkote & Steeves, 2001).

But ICT alone cannot solve all rural problems. It requires infrastructure to establish distribution channels. Also, it is important to reduce costs of reaching to the people (Siriginidi, 2009). Hence, The rural ICT applications mostly tries to offer the services of governmental bodies like district administration, cooperative union and the state and central bodies to the citizens at their door step. Steps have also been taken to smoother the procedure by implementation of several Government- Citizen (GC) e-Governance pilot projects. Some of the numerous factors of ICT for which it is being highly recommended today may be summarized as:

Figure 2. DSC Model vs. DC Model



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1. It supports participatory method of communication which is highly preferred as a developmental model in rural India.
2. It is cost-effective, user friendly and efficient.
3. It is a people inclusive medium and involves knowledge sharing process.
4. It intends to promote the transparency between public and the government.
5. It acts to build an information society by active learning process and development of human intellect.
6. It helps to build true democracy by encouraging mass participation.
7. It helps enhancement of revenue for the government and the service provider.
8. It supports Right to Information Act and the universal right to freedom of Speech and Expression.

Information and Communication Technology (ICT) in India has spread its tentacles through Reliance Infocom's roll out of low-cost mobile cellular phones, numerous civil society based initiatives aimed at establishing affordable access to information and knowledge and Village Public Telephones (VPTs) to its enabling the computerization of land records such as the *Bhoomi* project in Karnataka. Some other similar projects include that of *APSWAN* (Andhra Pradesh), *Sustainable Access in Rural India* (*SARI* in Tamil Nadu), *Akshaya* Project (Kerala), *SETU* (Maharashtra), *Gyan Ganga* (Gujarat) and *WBSWAN*- a government-to-citizen portal (West Bengal), *LOKMITRA* Project (Himachal Pradesh) to name a few. ICT has also spread wings in the health sector with projecs like '*Solidarity and action against the HIV infection in India*' or *SAATHII* (2000), *Sisu Samrakshak* or *SSK* (2000) and *Apollo Telemedicine* (2000). India accounts for 60% of the ICTs projects in Asia tracked by The World Resources Institute (Thomas, 2009).

The present article would discuss about the success of the ICT in India keeping account of its type of usage which is of primary importance in this matter. The chapter would highly discuss the ways and features that made it greatly penetrating by doing a thorough case-study based on the past and ongoing E-projects in India. Since the success of ICT is recognized today, thereby analyzing, comparing and contrasting the model of ICT with that of several communication models in mass communication like- Shannon & Weaver, Newcomb and Gerbner will give a different angle to observe it. The chapter would also include in itself the problems and hindrances (both from social and individual perspective) faced by ICT in its acceptance among the masses (if any).

BACKGROUND

To move on with the article it is important to define ICT for better understanding. A proper and apposite definition will help conceptualize the whole term in terms of application and improved academic understanding.

Information and Communication Technology *aka* ICT also referred to as IT or Information Technology previously, is the most modern and upgraded technology used in order to foster better communication and information dissemination for the joint purpose of education, health and rural empowerment in a developing society especially in the rural sector. ICT is a technology that deals with information gathering and dissemination to storing and presenting of data in the desired format (Ifueko, Omoigui, Okauru, 2011; Accra, 2012). ICT comprises of elements of processes which link different entities and locations leading to compression of space, coordination in time, and globalization (Castells, 2000; Sahay et al., 2003, Hayes & Westrup, 2012, Niall & Chris, 2012). It may also be noted that ICT, in other terms may also be referred to as computer or computer technology and network while including television and

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radio also (Chandler, Daniel; Munday, Rod, Iaugust 2012; Accra, 2012). ICT is a broader concept that comprises of three main things- services, applications and technologies. ICT serves by providing sole or a combination of telecom services such as telephony, mobile telephony, fax and computer services like internet, e-mail, file transfers, etc. The applications of ICT cover video conferencing, teleworking, e-commerce, e-health, distance learning, management information systems (MIS), stocktaking, etc. Technologies used by ICT in providing the services range from old technologies such as radio and TV to new ones such as cellular mobile communications (Siriginidi, 2009).

ICT therefore has three key terms: *Technology, Information* and *Communication*. All the three terms in ICT are highly interlinked with each other and are also interdependent aiming for a certain fixed role. For example: Technologies like television and radio started to be used as a part of developmental project since its early advent with projects like *SITE* (1975) and *KHEDA* (1975) for television and various other projects related to health and agriculture through radio were broadcasted. Counting on the results of these experiments it was concluded that these technologies had effect on the target people and that it could, with well structured and planned programmes, may serve a social purpose and help eradicate rural problems and issues. It was then predicted that radio and television had high capability to create change in the society and can penetrate at the grassroots level. Since then development programmes were structured keeping in mind the acceptability in the rural sections of the society and were also designed skillfully and tactfully. In recent days, internet has formed a World Wide Web which unifies every individual and also exposes to innumerable ideas and information. After The United Nations has already declared access to the internet as another basic human right, The Govt. of India's National Telecom Policy too envision the implementation of 'Right to Broadband' scenario by the year 2020 (Ganapathy, 2014). Also, in the recent endeavour to improve ICT services according to NeGP 2006 (National e-Governance Plan), Government of India (GI) has aimed to transform all the Government activities from manual to computerized system (Sanyal et al, 2014).

Information can be interpreted as a message or better said, the content of any message, which is usually encoded by the speaker and then processed through a well recognized channel to reach the receiver in its understandable form. The channel may be of various types that includes verbal, telephonic and written forms. Information encoding is an important part and should be done carefully in case of rural program designing. The message should be in favour of the target audience and therefore must be understandable for them. One of the significant hindrances in the way of rural communication is the language. Since, computers talk in universal language English; therefore it does not favour rural understanding. In order to enable rural understanding, soon options to convert into language were allowed by Microsoft and started practicing. This created a revolution on its own as the language barrier was overcome. Information is a supporting hand to carry forward basic human right which includes right to information and freedom of expression (Chhavi, 2008). Therefore, uniform information dissemination is the key to democracy and information empowerment is essential for successful democracy (Siriginidi, 2009). Social exclusion is much deep a problem. It marks the exclusion of people from a range of benefits, access and services which mark the basic human rights in the modern society from exchanging (Commission of the European Communities 1993; Magno, 2014).

But for successful and effective *communication* there are two more important things: targeted decoding of the message or proper and correct understanding of the meaning along with the positive feedback mechanism. Medium has a close relationship with message interpretation or 'Medium is the message' (McLuhan, 1964) and are therefore symbiotic in nature. Marshall McLuhan's concept of medium was broad and he put together that it was the medium, which 'shaped and controlled the scale and form of

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human association and action'. Therefore it might be concluded that medium of communication should be chosen very carefully as it is very much specific for a defined purpose and rural communication is that defined area.

ICT plays a major role in nation's politics, economy, social and cultural development (Siriginidi, 2009; Chhavi, 2008). It is not just limited to rural development alone. ICT has changed our lives from the way we do business, shopping, and do banking to access information, get entertained and communicate with people (Chhavi, 2008). Role of ICT in both established medium like radio, TV, video, computer disc, etc. and emerging medium like internet, wireless and broadband as a powerful tool is responsible for speedy scaling up and inter-linkage of development interventions and its outcomes (Siriginidi, 2009). ICT has an integrated relation with human rights also, i.e. it supports the freedom of expression and right to information according to Article 19 of the Universal Declaration of Human Rights. (Siriginidi, 2009; Chhavi, 2008)

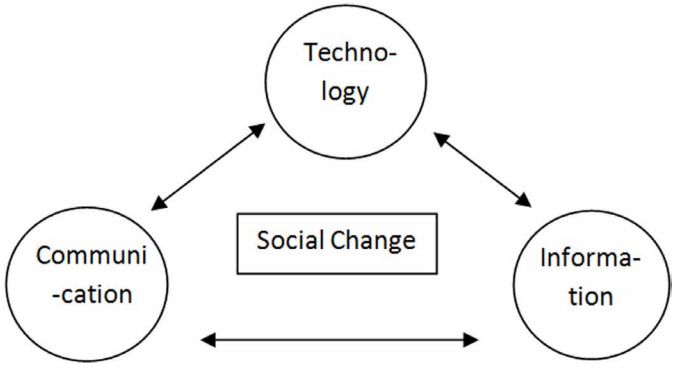
However, the unification of specific technology for the transmission of specific information will lead to effective communication in rural areas which may act as the weapon for social change in India. ICT in the 21st century is one such magic wand for social change (Figure 3).

ICT or Information and Communication Technology is a special extension of IT or Information Technology which deals with the skills of bridging the communication gap between the urban and rural area through effective and structured plans and programs. The World Wide Web with high speed internet plans is now installed even in the remotest villages of Gujarat and Andhra Pradesh in India. ICT negates social exclusion and supports social inclusion, participation and democracy by bringing transparency of information in each tier of the administration. ICT helps upgrade the rural mass to match the urban tech savvy society and also to make them e-Literate. ICT helps them to be 'future ready' in the globalised world.

Eradicating the Digital Divide

Digitalization is inherent with the concept of *social exclusion*. Technology has its own advantages that embed our daily life including the way of living, but not all the citizens get close to its friendly assistance on equal share. This unequal distribution of Information and Communication technology disapproves equal participation in social, economic and cultural forum. This can be briefly called as social exclusion. The problem is not to be measured just in economic terms, but it also includes unequal rights in educa-

Figure 3. ICT- A weapon for social change



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tion, health, housing, and access to services (Commission of the European Communities 1993; Magno, 2014). Therefore, we see that social exclusion has a multi disciplinary approach. (Daly et al. 2014).

The concept of social exclusion gained notice only in the 1990s. It is related to the lack of engagement in governance processes. (Magno, 2014). Segment suffering from social exclusion experience intricacy in claiming a range of citizen rights, which also includes access to adequate health care and education. This can be attributed to their weak social integration and incapacity to participate in public decision-making (Shortall, 2008; Magno, 2014). In social exclusion, poverty must be seen as the refusal of basic capabilities and not just the lack of income (Sen, 1999). Exclusion in the information age can be identified in two ways- (i) When a person is not connected to the digital network. (ii) When a person is unable to participate in the debates and discussion related to politics and public discourse (Magno, 2014); while another side of exclusion in the information age can emanate from existing social and cultural circumstances along with institutional and political factors (Zheng & Walsham, 2008; Magno, 2014). Therefore, it can be said that social exclusion is caused by irregular employment, gender, ethnicity, disability or ill health, and lack of opportunities for participation, along with low income.

The concept of social inclusion can therefore be seen in terms of underprivileged people acquiring rights, access, and benefits from improved education, health, governance services, and digital connectivity (Magno, 2014). Social inclusion is the primary objective of the government organizations as they are now trying to implement ICT at the grassroots level and targets to empower the underprivileged. Social inclusion is a double layered concept (Daly et al. 2014) like social exclusion which not only deals with equal participation in the labour market and economic life but also includes their participation in social and cultural issues in a broader sense (Brants & Frissen, 2003). The primary do of social inclusion is to create equitable access to Internet and other technologies. It is also very important to focus on another factor which is 'context', i.e. the framework required by the technologies to alleviate key problems of development in rural areas (Bhatnagar, 2014). Social inclusion is required and preferred for it gives the person the capability to think and make his own decisions. In a developing and democratic country like India, it becomes very necessary for every citizen to take part in economic as well as political activities for national benefit. Without being able to keep updated with the technological changes of the modern world, 70% of the total population (who reside in the rural structure) would be vulnerable to economic and social crisis.

Digital divide is another offshoot of social exclusion that again can be related to a dichotomous concept and has multiple levels (Brants & Frissen, 2003). Digital divide is directly proportional to the inability to use or access of technology (Archmann & Guiffart, 2014). However there is another argument which highlights the fact that digital divide or digital exclusion may be a voluntary choice of an individual also (Bhalla & Lapeyre, 1997), whereby exclusion may reflect un-intention to participate, negligence towards technological use, social and cultural taboos that reject interaction with the upgraded world, patterns of interests or a contractual relationship between actors or 'distortions' to the system, such as discrimination, market failures and unenforced rights. Therefore, the much argued digital divide needs to be diminished and replaced with digital dividend in order to wipe out poverty (Chhavi, 2008). ICT, as it is believed, can be identified as the tool which has the capability to diminish spatial and temporal inequalities (Magno, 2014). Fostering social inclusion through e-Governance requires bridging the digital divide that prevent slow income communities and marginalized groups from using ICT to access public services (Magno, 2014). Again, digital divide should not be seen simply in terms of technology access. It is a wider concept. Several social, political, institutional, and cultural conditions should be considered in understanding why particular communities are deprived in gaining access, developing content and

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using ICT (Warschauer, 2003). The digital divide is a long time concern of the government and internet being recognized as essential for economic competitiveness, government services, citizen participation and engagement, social inclusion and learning; is gaining priorities in government policies (Daly et al. 2014). There are international evidences that authenticate the negative effect of digital divide in exacerbating inequality by failing to equip its audience with the needed skills and other personal characteristics required to pave way to the knowledge society. Therefore, it implies that the divide can reduce the life chances of the disadvantaged, reducing learning opportunities and chances for career advancement and adversely impacting on access to government information and services (Selwyn, 2002; Daly et al. 2014). But on the other hand, there is also a group of policy makers who believe that the diffusion of internet can alone lessen the digital divide (Daly et al. 2014). Therefore, a paradigm shift is required in the sense that understanding and recognizing the problems of the poor and then enacting the best technology innovation for the purpose would be the correct way to solve any part of the problem instead of vice versa (Mc Namar, 2003; Bhatnagar, 2014).

In order to fulfil the target which is to eradicate the poverty, requirement of third person involvement becomes highly necessary in the form of Opinion Leaders (Lazarsfled, Berelson & Gaudet, 1944; Katz & Lazarsfled, 1955). They together postulated the Two-step Flow of Information, where it was predicted that the rural mass do not readily accept the norms of the urban society and thereby rejects the ideas coming from the same. With the help of opinion leaders it was much easier to reach and get connected to the rural mass. Opinion leaders are generally the most influential people in a village like headmaster, village doctor, *sarpanch*, etc. If ICT is one such taboo, then it can be well introduced with the help of opinion leaders via NGOs and Integrated Rural Development plans by the public sector. This is also one of the way by which participation of the rural mass can be encouraged and made successfully acceptable. In the recent ICT initiatives, the role of opinion leaders has been kept in mind to get high rated success in the developmental programs.

The role of ICT in rural development do not just relate to the ease in daily life with e-Literacy, but it also deals with other phenomenal factors like awareness to social, political, environment and health threats, ability to take own decision, develop critical thinking and opinion formation and thus resulting into equal participation, attitude and personality formation, building self confidence by involving into discussion forums and taking part in dialogic communication. ICT in this way enables smooth functioning of the administration by enabling horizontal knowledge sharing process and vertical flow of information.

Digitalization comes with yet another concept called *convergence*. The technology used in ICT fairly involves internet as the primary tool. Most of the ICT devices are for multipurpose usage like mobile phones, laptops, tabs, computers and cable television networks offering phone services, internet television and mergers between media and telecommunication firms (Singh & Raja, 2010). These devices find an integrated approach for communication by enabling speedy access to all types of information in the local or native language. ICT convergence plays a promising positive role in the fields of education, health, medicine, finance and government (Huang, Guo, Xie, & Wu, 2012). ICT convergence in health sector and medical industry can help people from the less developed areas gain access to superior health care resources worldwide. With ICT one can take the aid from medical expert sitting miles away through HD video equipments and medical apparatus that may pass on vital datas from medical devices at a lightning fast speed. In case of education sector ICT convergence can take to the world's biggest library for information as well as provide distance learning facilities from the world's top most universities. Similarly, ICT convergence finds its applications in other sectors related to finance and economy too.

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ICT, another form of digitalization, aims to form e-democracy as a part of its successful implementation and usage marked by political engagement and open discussion among educated mass to help create a space of convergence in which all the citizens are enabled to recognize themselves as co-working for a common deed (Molinari, McPherson & Singh, 2014). E- Democracy is the new horizon… the outcome of specially designed plans and programmes where the scattered mass gets accumulated, each with motivation and an opinion that constructs a true democracy. It is the individual level motivation that can lead to collective movement of the population for future establishment of a better public administration and knowledge society. E-democracy is free from constraints of conflict, orthodox ideas and leads to innovation and better future. E- Democracy, as the authoritative source like OECD says in an often quoted 2004 publication, can be achieved in terms of e-participation, whose objectives are as follows (Macintosh, 2004):

- Reaching out and engaging a broader audience of active participants;
- Support participation through a range of technologies to cater for the diverse technical and communicative skills of citizens;
- Provide relevant information in a format that is both more accessible and more understandable to the target audience to enable more informed contributions.
- Engage with a wider audience to enable deeper contributions and support deliberative debate.

E-Governance: It is the concept shaped through the policy of e-Government which essentially targets the use of information technologies (typically the internet) to foster the delivery of government information and services, re-structure administrative procedures, and enhance citizen participation (Mahizhnan, 2014). The term governance is also a 'goal oriented process which denotes the outcomes of interaction of government, public services and citizens throughout the political process' (Das, 2010). It is also recognized as a set of 'technology mediated process' that are changing the ways of public service delivery and also the interaction between the citizen and the government (Kate, 2002). Thereby the right technological use will result in bringing social upliftment and skill development (Figure 4).

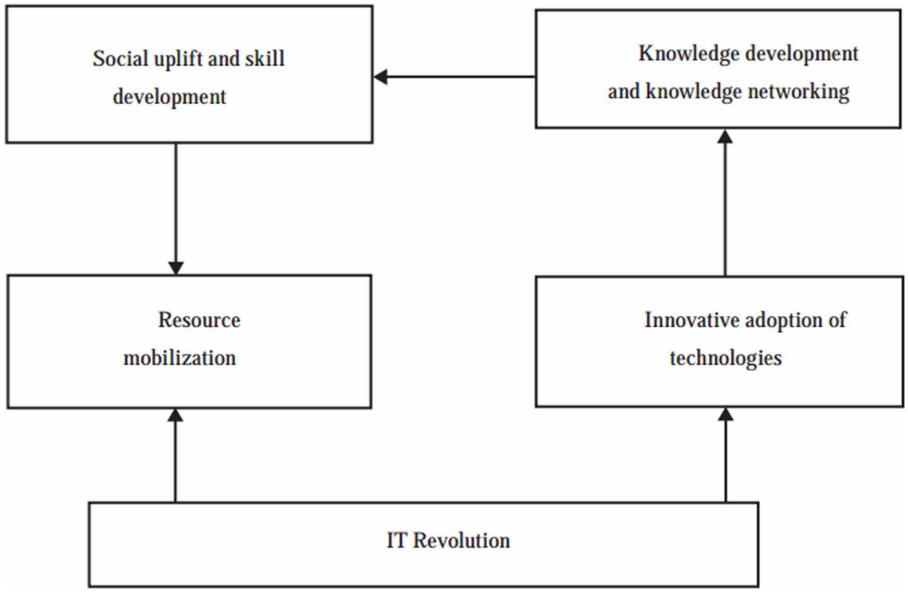
ICT: THE MAGIC WAND FOR SOCIAL CHANGE IN RURAL INDIA

Information and Communication Technology in the 21st Century has created a sensation by showcasing its vast use in various fields like health, finance, administration, politics, education and several others. Not just in name, but also in deed did ICT become one of the important bridges to level down the gap between the rural and urban areas. With proper planning and strategies along with the merge of the private and the public partnerships, ICT flourished in Indian rural sector within a short span of time. Villagers started accepting soon the technology as their friend in their daily life as it helped them in greater productivity and yield of crops through e-krishi and other similar agriculture programs.

Through effective changing of government policies and increasing public- private partnerships, a lot of improvements are carried out in effective e-Governance programs (Jamaluddin, 2013). Application of ICT can be done in diverse platform; from accelerating information dissemination, improve efficiency of public services and increase the transparency and accountability of government administration to reduce corruption and facilitate citizen participation in local governance. But full potential of ICT in terms of its application and usage as a catalyst for development is yet to be reached (Bhatnagar, 2014).

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Figure 4. Information dynamics in social uplift (Rahman, 2008)



ICT costing was cumbersome. But the rapid smooth technological advancement is making it more affordable to reach a place where the high cost will no more be the biggest barrier in bridging the digital divide. Government as a part of successful ICT implementation has correctly used the same for proper execution of internal efficiency and improved delivery of services (Bhatnagar & Singh, 2010; Bhatnagar, 2014). Some of the most successful ICT projects in India owe their credits to several partnerships. For example, the incredible success of e-Choupal is one such example where experts from their respective fields came in to make it a successful mission. In e-Choupal, ICT agents provide the infrastructure (lab or warehouses), government provided information like weather forecasts and commodity prices from government mandis, while experts from Universities were reached for their valuable advice all throughout the implementation process (Bhatnagar, 2014).

India is the first address, when it comes to experimentation with ICT for sustainable development (Bhatnagar, 2014). Internet plays a vital role in agribusiness leading to new market places and also as an information resource (Jamaluddin, 2013). e-Commerce has found its way successfully to agriculture. Both the B2B and B2C categories of transactions have used Internet in Agriculture, Remote service, and Maintenance referred to as agribusiness –to–agribusiness (A2A) and agribusiness-to-grower (A2G). Therefore, the participation is directly linked with the adoption o internet mutually by both the ends- buyers and sellers (Jamaluddin, 2013). m- Governance hold a major division in the National e-Governance Plan which establish the exceptional growth and development in ICT (Ganapathy, 2014). With the motto of providing high quality and affordable healthcare to people irrespective of their financial, technological and geographical reach, Apollo started with Apollo Telemedicine whereby patients health are investigated, monitored and treated via image acquisition, storage, display, processing, and transfer, thereby eliminating the physical travelling of patients (Ganapathy, 2014). One of the important applications of ICT is the "Telecenters". It is a life support in communities where individual computer ownership is uncommon and internet use is infrequent (Gomez et al., 1999; Heeks, 2008; Best & Kumar, 2008).

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ICT applications in a broader sense need to be developed to achieve certain objectives like- (i) Improved access to social services; expanded reach, better quality and better targeting. (ii) Community involvement. (iii) Enhanced income for the poor and lower cost of access to public services (Bhatnagar, 2014). More productivity is directly linked with greater source of income and less dependency on natural climatic conditions favourable for agriculture. A hand in hand debate which follows at parallel argues the dependency of technology vs dependency on natural climate? The dependency on natural climatic conditions for yield of crops often curtailed their profit with huge loss. Thereby acceptance of technological aid seemed to be a better option. Services like weather report, land conditions, use of fertilizers and very importantly the actual rates in the market helped the farmers. Apart from this ICT use in the field of education and health is beyond parallel. As discussed earlier, rural population is very orthodox in nature and they tend to reject any foreign ideas and imagination readily. In order to gain trust and acceptance, messages and programmes were designed just in the way best acceptable. For example, most of the girl children are not allowed to move out of home for education purpose. ICT, with distance learning programmes made it possible to get higher education sitting from home itself. Even the whole library is digitalized today in order to make it accessible from any nook and corner of the world. The prime key area of ICT that makes it this much accessible is the affordability. Government of India has taken great initiatives in rural development projects by installing devices that would impart high speed internet connection in the rural areas. ICT projects relating to employment generation include DTP learning, basic computer skills learning like hardware and software helps to e-literate the underprivileged and make them 'future ready' in the era of automation. The health sector under the aid of ICT has helped serve better delivery of infants, the result of which can be rightly measured by the lessened death rates of newly born babies. Also, the tips to protect self from deadly viral diseases are being given. Several kiosks are also set up as an extension of ICT aid to help those who are underprivileged.

The present chapter aims to discuss the victory ride of ICT in India by making a case study analysis along with finding the DNA of its success by comparing and contrasting it with several other communication models and theories.

Case Study

The chapter aims to see the success of ICT in India for which some of the important projects are being discussed and analyzed here. This analysis of the several important projects will help infer the effective penetration of ICT in rural India and the overview will highly serve to get to an anawer of one of the objectives. The primary projects discussed in here are The *Akshaya* Project (Kerala), *E-Gram* (Gujarat), *Gyan Ganga* (Gujarat) and *WBSWAN* (West Bengal).

The Akshaya Project

This is one of the biggest ICT projects that India has ever witnessed. Introduced in Malappuram district of Kerala, this initiative soon spread its web to the other parts of the state. The high success project was the first of its kind which extended the 'district-wide e-literacy' in the state. The project included the largest Internet Protocol (IP) based wireless networks in the world to make Malappuram India's first E-literate district. In Phase I of the project 100% e-literacy was achieved in 8 districts of the state. The project has conducted one of the largest awareness missions for the need of computer literacy and has reached over 3.6 million people to fulfil its mission of generating e-literacy awareness. Multiple computer

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access centres has been set up throughout the state, primarily funded and run by the state government, leading to a colossal wireless communication infrastructure which has opened up multiple opportunities and wide range of services. Prof. Kenneth Keniston, Founder and Director of MIT India Programme commented on the project and added his valuable views on it:

There are many good projects sponsored by State Governments and NGOs which are admirable; but nowhere has the kind of vision and strategy been as demonstrable as in Akshaya. Neither do I think any other state has the wherewithal for accomplishing these because without literacy, without commitment on the part of the people concerned, without a certain level of social justice, these things would be very difficult to achieve.

The services that are conducted by the project include (i) e-Pay: Electronic paying system helps the online payment of monthly bills such as electricity, land phone, drinking water, university fees etc. sitting in the comfort of home. (ii) e-Krishi: It primarily aimed to help and provide online agricultural information to rural people, particularly farmers. Through this program the farmers were made literate of the several modern techniques that can be up brought for better growth and productivity of crops. It also helped to provide the price and values of seeds and other trading requirements in order to help them overcome fraud situations. (iii) e-Vidya: Vidya means knowledge and e- Vidya dealt with electronic advanced education courses on Information Technology (IT) for e-literates and others. (iv) e-Ticketing: It helped to pre book online train, flight and bus ticket reservations over internet. (v) Village Kiosks were set up aiming for transparent collectorate program to facilitate citizen- government interface and minimize the gaps in communication by access to information.

"ICT accessibility for anyone and everyone" was the primary concern for the project which was carried out with much success. ICT accessibility for all sections of people had led to better lifestyles, information accessibility and transparency in governance and welfare programmes funded by the state government. The project has resulted in considerable socio-economic growth for the state. The project, as of now, is being conducted in other districts as well like Thiruvanathapuram, Kollam, Alappuzha, Kottayam, Kannur and Idukki to name a few.

However the CAG audit report on Kerala's Akshaya contradicts some points by saying that billions of money would be wasted if bureaucracy does not learn quickly from its failures as it challenges the success of the project by saying that the target of giving 50,000 jobs by means of this project in three years (2003- 2006) was not fulfilled as the employment generated was just 6,818 in eight years (Upadhyaya, 2010).

Gyan Ganga

Like Akshaya Project in Kerala, Gyan Ganga too is one of the ICT initiatives taken by the government of Gujarat with the sole objective of providing wireless internet connectivity to all 18,000 villages. The project was initiated by the Department of science and technology on behalf of the Government of Gujarat (GOG) and has signed MOU with M/s n- Logue communications Pvt. Ltd. It can therefore be identified as one of the Public-Private-Partnership (PPP) aiming common goals of providing internet connectivity through wireless technology called CorDect in order to provide employment to village entrepreneurs and building of knowledge societies at the grassroots level. The ICT facilities provided

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by *Gyan Ganga* includes online registration of various applications, online public grievance forum, information on Government programmes, online application forms, update Government information, etc.

Gyan Ganga undertook quite a few progressive steps to achieve considerable economic growth by reducing farming costs, increasing crop yield, enabling effective post harvest management, reducing risks, providing expertise in animal husbandry and watershed management and enabling better credit options and facilities to the rural mass.

Some of the services offered by *Gyan Ganga* include- Computer education, Blue book, Green book, Red book, Online testing tutorial, Online Photoshop tutorial, Health, E-mail and web browsing, e-Governance and Bio data maker. The *Gyan Ganga* project enabled top class services in a single click, provided solutions with an Agriculture expert, veterinary services, e-Government services, Distance health care or e-health, Distance learning or e-learning, Remote Eye Care, e- Agriculture and many more with the help of internet.

E-Gram

The primary objective of this mission is to enable the gram panchayats to adopt a computerized official system. The initiation of this project was a huge step to develop the rural areas particularly for official purposes such as instant processing of birth and death registration, issuance of certificates such as caste, income and electricity. The success of existing ICT services in the state had led the state government to take up this project to expand ICT services in the rural areas. The state government had planned to cover 1400 villages in the initial phase of the project. The *E-gram* project enables the villagers to have access to relevant and full information through e-mails and government websites. The *E-gram* remains one of the most successful projects undertaken by the government of Gujarat.

Some of the services carried on by *E-gram* include: (i) Birth and death registration along with issuance of respective certificates via computerised and easily handled system. (ii) Property Assessment was easily accessible and reproducible. (iii) Tax Collection, availability of printed bills and details of taxes. (iv) Accounts of gram panchayats were made easily accessible and available. (vi) Issuance of various certificates such as caste certificate, income certificate, farmer certificate, availability of easy verification and easily maintained records. *E-Gram* is initiated by a software system specially developed by the Government of Gujarat. The technologies used for incorporating IT in e-Governance include Back end - MS-Office 2000, MS-Access 2000, SQL Server 2000, Front end – Visual Basic, ASP, ODBC, Operating System- Windows 2000, Networking -GSWAN dial up connectivity. Computer system, Dot matrix Printer, Modem, Telephone and Inverter were among the hardware that as a part of the project was provided along with *E-Gram* panchayat as the only software (Kokil, n.d.).

West Bengal State Wide Area Network (WBSWAN)

Based on Internet Protocol (IP), *WBSWAN* is a modern networking system for computerized connectivity within the administration run by the West Bengal state government. It enables the government to function more productively and effectively by supporting both horizontal and vertical flow of information and communication in order to carry out its initiatives better. *WBSWAN* is a network system for data, voice and video communication that runs throughout the state of West Bengal. This network helps the government to carry out administrative programmes through a computerized system. The project is officially run by West Bengal Electronics Industry Development Corporation Limited or Webel

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Technology Limited. IIT (Kharagpur) is the formally appointed 'External Network Consultant' for the project. WBSWAN network offers connectivity of Data, Voice & Video Communication facilities from State Switching Centre at Kolkata up to all District Headquarters on 2 Mbps (E-1 link) leased line of BSNL. According to the guidelines of DIT, GOI, twenty horizontal offices are to be linked with WB-SWAN backbone at the District, sub- division level and five horizontal at the block level. Each District Headquarter has video conferencing facility along with Multi- conferencing facility through Multipoint Conferencing Unit (MCU).

The primary objective of this networking system is to provide connectivity among all the government departments as well as to improve government-citizen and government-industry ties. It also supports projects such as government Application Service Provider (ASP).

An Inference From the Case Study

From the above four case studies, it could therefore be outlined that ICT is highly preferred as a tool for social change in the government sector and that it can bring transparency between the administration and the public. It is for this reason that both the private companies and public wings are now collaborating together for the betterment of the rural societies. Some of the facts and figures coming out of the case studies can be inferred as:

- Government bodies are putting their step forward for ICT Implementation at various levels with the aim of equal dissemination of information.
- Rural population is now more e-literate and has access to high speed internet connectivity to make their daily life easier.
- More job options have opened up in the form of business entrepreneurs and DTP learning.
- ICT is securing transparency at several levels of the government administration and therefore supporting the Right to Information Act 2005.
- ICT initiates having a public forum which encourages debates and discussion in a pluralistic society.
- ICT is able to bridge the gap between the rich and the rural section of the society, between the technology haves and have-nots.
- ICT favours social inclusion by more easy access to technology at affordability.
- It is also very necessary to use ICT in the most effective way or there are chances of it to be misused and loss or drainage of money may occur.
- Successful Public-Private coordination for social purpose.

COMPARISON WITH DIFFERENT MODELS OF COMMUNICATION

The core area involving ICT is 'technology' as the medium for communication. In ICT a message is passed on via technologies like telephone, fax, computer, e-mail etc. Which means a message from the source (here the policy makers) is first encoded in the machine language (binary language or others) and is transmitted via signal (internet). The encoded message then reaches the receiver who decodes the message and perceives the meaning and gives his/her feedback. The same notion can be traced in one of the founding communication models 'Shannon and Weaver Model', 1949.

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Shannon and Weaver Model too talks about an Information source, who is also the decision maker and designs the message accordingly, the message is transmitted via a transmitter in the form of signal and then received by the receiver who decodes it and gives a feedback. Some of the converging areas in both the cases may be listed as below:

1. **Source as the Primary Decision Maker:** Shannon and Weaver says that 'source' designs the message and is the primary 'decision maker' who selects over which message and how much information is to be passed on. In case of ICT, the source or the decision maker is The State i.e. the government plans and programs meant for rural upliftment.
2. **Identification of Noise:** Since the message passes through a machine (technology) and has to undergo several conversion procedures in order to be 'transmission ready', therefore, high chances of intervention are there. These interventions are recognized by Shannon and Weaver as 'noise'. In case of ICT, 'noise' may occur with slow internet connectivity. Lower the noise, better the communication. For this reason, government has installed high speed internet connection in rural areas. Noise in this model also gets a different dimension of barrier. In such a case ICT has a language barrier which is also overcome by recent options of translations provided by technology.
3. **Identification of 3-Tier Problems in Communication:** Shannon and Weaver identified three levels of problem. Level A dealt with technical problems, Level B with semantic problems and Level C with effectiveness problems…one complex than the other. In ICT too, the same problems are identified and care has been taken on all the three factors to minimize the problem.

Drawbacks

1. **Linear Model of Communication:** While ICT approaches for two way communication with transparency and interaction, Shannon and Weaver does not recognize the same, instead the model identifies communication as a linear movement of information from left to right.
2. **No Place for Feedback Mechanism:** Shannon and Weaver Model do not talk about feedback, but is very concerned about the 'effect' of the information on the receiver. In ICT also, the effect of message on the receiver is given priority and so the message is designed in the way understandable and absorbed by the audience.

Keeping in mind the use of ICT in rural development it may also be compared to two-step-flow theory: the theory developed by Elihu Katz and Paul Lazarsfeld in 1944 and later in 1955, states the importance of a middleman in the process of communication. The middleman is termed here as Opinion Leader. He, the opinion leader is a member of the same group of people who are targeted. The function of opinion leader is to build a bridge between the outer world and his group. Since, he is a person of primary importance in the group; his opinions are readily acceptable to the rural mass.

It is here, where ICT's success can be identified. ICT deals with installation of technologies at fixed places in the village. Selected volunteers are given the duties of providing training session to a group of people and then they are asked to relay the learnt lessons. In this way, ICT do not directly communicate with the rural mass, but it goes via opinion leaders.

Two-step-flow theory has certain advantageous factors identified as under:

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- High level of penetration in the rural mass
- Enactment of regular interaction
- Enactment of horizontal communication
- Systematic involvement
- Less risk of failure
- Integrated approach

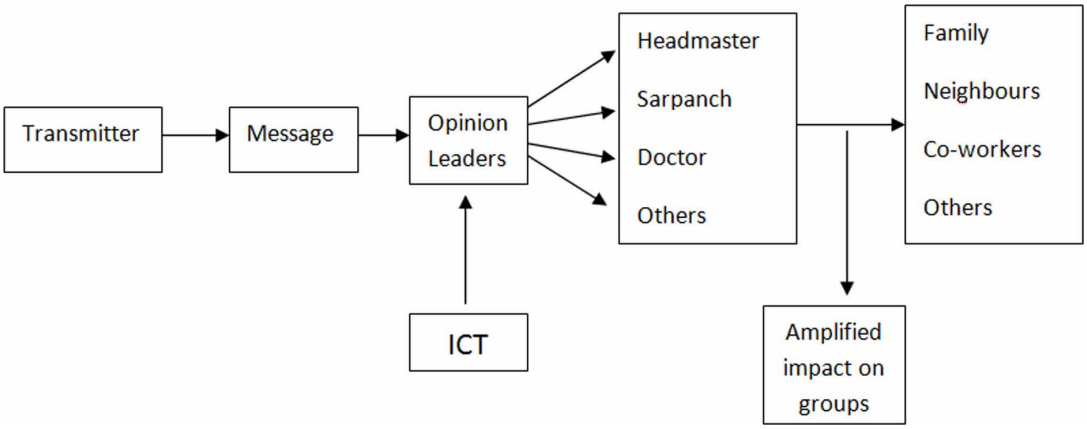
Since ICT works at multilevel, therefore it can rightly be compared with Newcomb's Model (Das, 2010). Also, it must be noted that Newcomb's model aims for a social equilibrium as his proposition was based on consistency or balance theory (Andal, 2010). His approach is much broader than just transmission of message; but deals with the interpretative process involved between individuals or groups or institutions during the process of communication.

Newcomb's model, 1953, briefly states that there is high interdependency between the members taking part in a communication. Newcomb argues by saying that if A and B are communicators and X is a part of their system, then ABX altogether are interdependent. All the three must have equal attitudes towards each other in order to maintain equilibrium. Change of any one of the member would break the structure.

In case of ICT, the interaction between the rural mass and the government plays a crucial in fostering rural development. Since, the target approached is 'integrated development' of the rural sector by increasing the quality of living, sanitation, health and economy, through proper flow of information (via e-Governance) between the target people and the government; we can say that rural development is dependent on the relation between public (rural mass) and government. Other way round, we may also say that, both the public (rural mass) and government must have the same approach or goal, in this case 'the rural development' in order to achieve it.

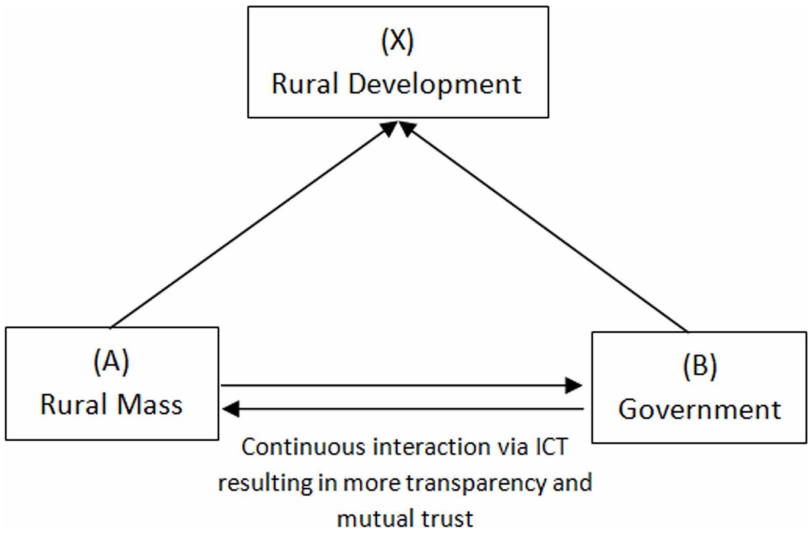
From Figure 6, it can be stated that through transparency between the government and the rural mass, there can be a healthy relationship attained between the both. It can also be speculated that increased transparency will build a problem solving area between the both which could lead to 'Integrated Rural Development'. This model can be applied to the North Eastern states of India also in order to bring the underprivileged close to the nation and its administration. If achieved, then according to this model, peace and harmony along with integrated development can be achieved.

Figure 5. ICT in Two-step flow theory



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Figure 6. ICT in Newcomb's Model



Not just this, in fact any kind of national conflict (inter or intra) may also be avoided and resolved following the above structure.

Inference From the Models of Communication

It can therefore be concluded that ICT uses the right portions of every model and theories to suit best in the position of weapon for social change. It can also be speculated that ICT has a role at micro as well as macro levels of the society. One of the primary things that should be kept in mind is the know-how to use it in the way to usher development. Inference can be summarized as:

1. Proper message (policies and schemes) should be designed in order to get the desired result.
2. ICT success depends on the way it is used. Proper use of ICT can bring peace and harmony and lessening misunderstandings and minimizing conflict. Improper use of ICT for rural development may serve the other way by making the target audience lose interest and trust in it thus leading to maximization of agitation and conflict.
3. ICT through proper planning can be strategically placed to gain higher degree of penetration at the grassroots level, i.e. through opinion leaders; thereby ICT can minimize the gaps between those privileged and underprivileged.
4. ICT, as in the technological part should be updated and upgraded for smooth flow of information in order to reduce miscommunication or technical noise that may hinder the flow of information. For example, slow internet connection may cause serious problems in the e- health sector.
5. ICT has effective role both at the micro as well as macro level, which means, its scope is not just limited to rural development programs.
6. ICT requires systematic functioning of the planned programs. The State is responsible for proper training and guidance as infrastructure building won't help alone.

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ICT: A Look Into the Future Journey

Till now the journey of ICT in India has been discussed in this chapter, but it is also very important to know what is happening outside India and thereby an overview of the outside world is also very important. Predicting the future is one of the important areas in research and thereby a statistical data is very important. As the progress of ICT is highly measurable by its daily usage, therefore a mathematical view of the same will give the clear picture. Statistically proved and stated that, by the end of 2014, there will be almost 3 billion internet users of which two-third of them coming from the developing countries. Also speculated that the number of mobile-broadband subscription will reach 2.3 billion globally by the end of 2014 and Fifty-five per cent of these subscriptions are expected to be in the developing world (Sanou, 2014).

The facts and figures also throw light on that there is 44% growth in all fixed-broadband subscriptions in Asia-Pacific, compared with only 0.5% in Africa.

The above stated statistics greatly predict a bright future of ICT in the developing countries and India being a microcosm of it also shows great hopes in the coming future as universally experts and specialists are looking into the investment from an optimistic point of view. ICT apart from rural development also fosters macro level communication, which also guarantees its longer stay.

Future Research Directions

Since the success of ICT is a proven fact, therefore future research directions may include the ways to improve it more in terms of application and maintenance. Maintenance is a markable factor in ICT implementation as contradictions are there (Upadhyaya, 2010) and several academic authors have criticized about it. Crores of money is being spent in ICT rural developmental projects and technologies are installed, but lack of maintenance pulls all the effort backward. So, improving maintenance and developing policies for that is the first initiative that should be concerning the future research.

Again, ICT implementation for rural development, although gained success in a short span, however it is felt that still, in the remote village; for instance take Meghalaya where a lady sitting in the government office affirmed that she did not know how to use it (Dutta, 2012). Therefore it can be inferred that building infrastructure won't work alone. So, focus should also be given on exhaustive training programs over 'just' building infrastructure and very importantly, there should be no compromise made in the way with these training programs.

ICT rural development plans still need to be developed in the North- East India. Proper plans and programs require to be implemented in the underprivileged area. E-literacy needs to be promoted more. Social Inclusion and proper citizen participation is of high requirement here in the North- Eastern part of India in order to foster development, peace and prosperity in this region of India. Therefore, one-step-ahead of state level plans like SWAN and national level plans like NeGP is required as the ethnographic culture and population demands that.

Like the concept of development is limitless and always expanding, thereby, ICT development plans must also look for the other sides in order to find ideas to develop it more giving a better result. After all it's the age of technological innovation and every individual is targeting to form an information society. So, the future research area may include in finding and inventing ways to develop it more for voluntary participation and integrated development.

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CONCLUSION

Crossing the boundaries of digital divide, social exclusion and technology driven development concept; developing countries worldwide are steadily moving towards the acceptance of ICT's role in fostering integrated development. With lots of e-Governance projects launching more recently each year, government too takes active role in it by building infrastructure supporting the cause. Not just this, the public-private venture is also adding a lot of positivity in the scenario.

In a developing country like India, where the population is counted to be one of the largest in the world, development is hard to penetrate the grassroots due to social taboos, less understanding, poor education and mental rigidity. Rural sector in India is highly pluralistic in nature as one can witness a large variety of culture, systems and norms prevailing even till today. The challenge therefore is to meet the minds of this heterogeneous audience and bring development at individual level primarily. Development in such a heterogeneous society demands regular interaction with the modern world through e-Governance, assisted by specialized and trained volunteers, NGO workers and formation of SHGs.

E-Governance lets every individual to participate in the program and exchange vital resources necessary for smooth flow of information and thereby participate in the horizontal communication process. In order to initiate this communication and make it highly successful it is also very necessary to reach the audience in their own language and today's computer technology highly supports it. Kudos to Software options for language and translation! Receiving information from the new media technology in 'my own language' creates a 'my space' which is not just motivating but highly emotional. The rural vulnerable mass, which often alienate themselves from the outer world 'Our World, Their World' concept is instantly broken down and they could actually open up their emotion and cognition to necessary information and perceive things to get persuaded. Actually, the acceptance level both in sensory terms as well as psychological terms are attained which readily initiates active participation through motivation. This is also the aim of e-Governance. e- Governance therefore fosters social inclusion and breaks the digital divide. ICT is the right medium to do the needful and the overall responsibility goes in the hands of the State. Keeping an eye over the penetration factor of ICT, The State should initiate some more programs relating to rural development. ICT strategies not just handovers the power of technology in the hands of the poor but also empowers them with e-Learning facility. Distance Learning, DTP classes and basic hardware and software trainings help find employment in the modern world.

The summary of all the factors on basis of observations and inferences with respect to this chapter can compiled as under:

1. ICT is a technology driven endeavour to foster 'sustainable development' in rural India.
2. ICT uses schemes and programmes that directly relates to the rural audience and their problems.
3. ICT supports Development Support Communication (DSC) and therefore involves greater audience participation.
4. ICT imbibes two-step-flow theory in order to gain greater acceptance among the rural mass.
5. ICT brings transparency through smooth flow of information, thus the rural mass gets close to the administration and its policies. Therefore, the public- government conflict is minimized.
6. ICT enhances horizontal knowledge sharing process which is followed by group debates and discussions forming opinions.

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7. ICT takes aid in building an information society, whereby every individual will be an equal participant irrespective of their financial background.
8. ICT serves to provide an integrated sustainable development to its target group that includes better quality of living, sanitation, health, employment and less climatic an economic vulnerabilities.

In a nutshell, ICT serves towards bringing positive and radical change in a developing society, blessing it with harmony, peace and prosperity. The State playing a crucial role; it is predicted that, with proper planning and better schemes, ICT will prove to bring about more positive changes in the near future.

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KEY TERMS AND DEFINITIONS

Communication Model: Models of communication refer to the conceptual diagrammatic representation used to explain the human communication process which primarily consists of a transmitter, a channel, a receiver and a destination. Models are used for the sake of simplification and presentation of the complex communication structure and often help to identify the type or pattern of communication. Models also help to predict the nature of communication and the type of its outcome.

Convergence: Convergence is the coming together of telecommunications, computing and broadcasting into a single digital bit-stream. The rise of digital communication in the late 20th century has made it possible for media organizations (or individuals) to deliver text, audio, and video material over the same wired, wireless, or fibre-optic connections. This digital convergence of news media, in particular, was called "Mediamorphosis" by researcher Roger Fidler, in his 1997 book by that name. An example of device supporting convergence is smart phone that can involve n parallel work of a phone, pc, music system, compass, library, newspaper and so on.

Digital Divide: Digital divide is used to describe the discrepancy between people who have access to and the resources to use new information and communication tools and people who do not have the resources and access to such technology. The term also describes the discrepancy between those who have the skills, knowledge and abilities to use the technologies and those who do not. The digital divide can exist between those living in rural areas and those living in urban areas, between the educated and uneducated, between economic classes, and on a global scale between more and less industrially developed nations.

Digitalization: Digitalization is the integration of digital technologies into everyday life by the digitization of everything that can be digitized. The literal meaning of digitalization gives an apparent idea of development and technology dependent world. In this chapter, digitalization means computerization of systems and jobs for better ease and accessibility.

Development Communication: Development communication refers to the use of communication to facilitate social development. Development communication techniques include information dissemination and education, behaviour change, social marketing, social mobilization, media advocacy, communication for social change and community participation. Erskine Childers defined it as development support communications which is a discipline in development planning and implementation in which more adequate account is taken of human behavioural factors in the design of development projects and their objectives.

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E-Governance: E-Governance is the public sector's use of the most innovative information and communication technologies, like the Internet, in order to deliver citizens with improved services, reliable information and greater knowledge in order to facilitate access to the governing process and encourage deeper participation (UNESCO). It is a generic term that refers to any government functions or processes that are carried out in digital form over the Internet. Local, state and federal governments essentially set up central websites from which the public (both private citizens and businesses) can find public information, download government forms and contact government representatives.

ICT: The term ICT (Information and Communication Technology) is used to refer to the convergence of audio-visual and telephone networks with computer networks through a single cabling or link system. There are large economic incentives (huge cost savings due to elimination of the telephone network) to merge the telephone network with the computer network system using a single unified system of cabling, signal distribution and management.

Information Society: Information Society is a term for a society in which the creation, distribution, use, integration and manipulation of information is a significant economic, political, and cultural activity. The aim of the information society is to gain competitive advantage internationally, through using information technology (IT) in a creative and productive way. The knowledge economy is its economic counterpart, whereby wealth is created through the economic exploitation of understanding. People who have the means to partake in this form of society are sometimes called digital citizens. This is one of many dozen labels that have been identified to suggest that humans are entering a new phase of society.

Public Participation: Public participation is a political principle or practice, and may also be recognized as a right (right to public participation). Public participation may be regarded as a way of empowerment and as vital part of the democratic governance. Public participation is marked by debates and discussion along with social inclusion. Generally public participation seeks and facilitates the involvement of those potentially affected by or interested in a decision. The principle of public participation holds that those who are affected by a decision have a right to be involved in the decision-making process. It initiates and enhances the knowledge sharing process within a community.

Social Inclusion: Social inclusion is a process by which efforts are made to ensure equal opportunities for all. The multi-dimensional process aimed at creating conditions which enable full and active participation of every member of the society in all aspects of life, including civic, social, economic, and political activities, as well as participation in decision making processes. Social inclusion may also be interpreted as the process by which societies combat poverty and social exclusion. Social inclusion aims to empower poor and marginalized people to take advantage of burgeoning global opportunities. It ensures that people have a voice in decisions which affect their lives and that they enjoy equal access to markets, services and political, social and physical spaces.

Social Exclusion: Social exclusion (or marginalization) is social disadvantage and relegation to the fringe of society. Social exclusion is the process in which individuals or entire communities of people are systematically blocked from (or denied full access to) various rights, opportunities and resources that are normally available to members of a society, and which are fundamental to social integration within that particular society.

Sustainable Development: Sustainable development or integrated development deals with an overall development which includes improved quality of living, health, education, employment along with economic development. Sustainable development can greatly be related to developing countries like India, where economy is not just the problem, but lack of proper sanitation and clean drinking water also.

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ENDNOTE

[1] The development of mass media technology in the developed nations imparted news about themselves, amplifying and glorifying their own society, events and people as the primary content of news; while portraying the third world or the developing nations to be a poor place to live in by mostly referring to the crimes and issues of distress. This was recognized as the one way flow of information or biased information from developed nations to the developing ones.

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Chapter 62
Foreign Direct Investment in Land Acquisitions in India: Evidence and Challenges

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ABSTRACT

There has been large-scale Foreign Direct Investment (FDI) in land in India for promotion of Special Economic Zones (SEZs). The key drivers of land acquisitions are food security, the bio-fuels boom, growing business opportunities, and policy reforms. Increased foreign land investment may increase economic growth and raise government revenues and create new livelihood opportunities through new capital, technology, know-how, infrastructure, and better market access. At the same time, foreign land acquisitions may result in local people losing access to the resources. Therefore, there is a need for wider public consultation involving all stakeholders to ensure improved livelihoods and food security. The creation of robust institutions and social and environmental impact assessments of FDI in land acquisitions are called for to promote inclusive growth through more job creation, infrastructure development, public revenues, environmental protection, and to protect local food security, particularly in times of food crisis. This chapter explores FDI in land acquisition in India.

INTRODUCTION

There has been increasing pressure on land resources to meet increasing demand for food, biofuels, minerals and environmental services. About 40% of the Earth's land surface is used for agriculture (Turner et al., 2007). The human-land relations are changing due to dynamic interaction between socio-economic and bio-physical drivers. The land of the developing countries is considered as a potential source of meeting increasing demand for biofuels, food crops, mineral deposits and reservoirs of environmental services. The rapid population growth has increased pressure on agricultural land to increase productivity. Currently, the increase in agricultural productivity has failed to keep pace with the demand for food. There has been huge demand for investment in agriculture in developing countries. Therefore, private

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investment in agriculture has been an option to meet food demand in post-food crisis period. Agricultural land acquisitions take place ignoring the livelihood rights of affected communities undermining national and local food security in developing countries (von Braun & Meinzen-Dick, 2009; Daniel & Mittal, 2010). The comprehensive data on regional or national land acquisition is scanty (Taylor & Bending, 2009). The governments play an active role in large-scale land acquisitions both domestically and internationally, even though the unoccupied arable land available for acquisition is very small and statutes and constitutional provisions also prevent large-scale land acquisition. The International Financial Institutions (IFIs) influence large-scale land acquisition by financing land acquisition projects and suggesting guidelines and policies (Cotula, 2012). However, the IFIs have failed to protect the rights of the poorest communities and most vulnerable from food insecurity and hunger.

The demand for land is increasing (Haberl et al., 2009) in both developed and developing countries to meet growing demand for food, biomass and fibers. Agricultural investment in the past mainly came from Western countries and companies seeking comparative advantages in their production for the global market. The current land deals are increasingly driven by the desire to secure rights to land and fresh water for the domestic food and energy needs of the investor (Smaller & Mann, 2009; United Nations, 2010). The "new" investors are predominantly oil-rich but food-insecure Gulf States like Saudi Arabia, Qatar and the United Arab Emirates and populous but capital strong countries in Asia like China, South Korea and India (Gorgen et al., 2009; Smaller & Mann, 2009; von Braun & Meinzen-Dick, 2009). Moreover, Western companies are still investing in land in Africa for bio-fuel production or investment objectives.

The international trade in biofuels is increasing to meet growing demand for energy (Erb, 2004; Erb et al., 2009). The local land use changes in developing countries are also influenced by increased global demand for products. There are causal relations between land uses over large geographical distances due to growing global trade of food, biomass and fibers (Haberl et al., 2009). Numerous studies von Braun and Meinzen-Dick (2009), Cotula et al. (2009), Gorgen et al. (2009), Mbow (2010), and Smaller and Mann (2009) see increased economic opportunity for local communities from the leasing or selling of the land. There has been growing trend in the land acquisitions by foreign investors, which is termed as "land grabbing" in developing countries. The land investment is termed as land grabbing if there is a purchase or lease of vast tracts of land by wealthier, food-insecure nations and private investors from mostly poor, developing countries in order to produce crops for export (Daniel & Mittal, 2009). The "land grabbing" took place if the investment exceeds 1000 ha. The economic and political significance of the land dispossession is generally increasing and becoming one of the major global issues (Amanor, 2012; Hall, 2012; Lavers, 2012**;** Woodhouse, 2012).

DRIVERS OF FOREIGN LAND ACQUISITIONS

The foreign land acquisitions are an old phenomenon in developing countries (Kugelman, 2009; Songwe & Deininger, 2009; Taylor & Bending, 2009). Nearly 15-20 million hectares of farmland have been acquired by foreign investors between 2006 and 2009 globally (von Braun & Meinzen-Dick, 2009). The principle origins of demand are from the Gulf States of Saudi Arabia, UAE, Qatar, Kuwait and Bahrain, China, South Africa, Japan, Russia, South Korea, the US, and UK and other EU members (Cotula et al., 2009). There are various types of buyers, including state-owned enterprises, sovereign wealth funds, foreign and domestic private sector investors, and central government agencies. The key drivers of foreign

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land acquisitions include rapid population growth, demand for biofuels, food security and urbanization and shift in food habits (Daniel & Mittal, 2009; Friends of the Earth, 2010; Mitchell, 2010; Smaller & Mann, 2009; Zoomers, 2010).

The acquisition of land by foreign land users to meet food deficiencies is an increasing trend over the past few years (Cotula et al., 2009). Water is also a key driver in the land grab phenomena (Rockstrom et al., 2003; Smaller & Mann, 2009; Woodhouse & Ganho, 2011). The Earth's resources are under increasing pressure caused by a growing population, per capita land demands and increasing environmental degradation. There is rapid global land transformation due to the human-environmental interactions (DeFries et al., 2004; Foley et al., 2005; Turner et al., 2007). The global population pressure on land is likely to increase from 6.8 billion in 2010 to 9.2 billion in 2050 causing the average amount of land per person to decline from 7.9 ha in 1900 to 2 ha in 2005 and 1.6 ha by 2050 (Gitay et al., 2007). The competition for investment in agricultural land increased with more value and power in the land rights (Smaller & Mann, 2009).

With the onset of food price crisis, there has been emergence of a new growing phenomenon of outsourcing food production (Songwe & Deinigner, 2009). In the post-'food crisis' period, the prices of maize, wheat and rice have increased multiple times (Headey, 2010), which further strengthened the attractiveness of investment in agricultural production (Cotula et al., 2009). There has been shift in food habits with greater preferences for animal-based diets due to general increase in wealth (Galloway et al., 2007), thus requiring significantly more land for livestock production (Dickson & Reenberg, 2009). Around 37% of transnational land deals aim at either food crop or livestock production (Ries, 2010). The raw materials for industries and fodder can also be the driver of land investments (Bickel & Breuer, 2009). Besides, climatic change may also influence the incentives to grab land as it can render previously fertile land useless for agricultural purposes due to change in rain patterns.

The increasing emission of greenhouse gases has caused growing interest in green energy, including bio-fuels, which require more land. Besides, high oil prices have also created an incentive for diversification of the energy sector (Cotula et al., 2008; Daniel & Mittal, 2009). A complete global shift to bio-ethanol will require a 20-fold increase in the production of bio-fuels and a doubling of the total cultivated land. The production of bio-fuels has been growing worldwide and between 2000 and 2005, ethanol production doubled and bio-diesel production tripled (Peters & Thielmann, 2008). Consequently, large-scale land acquisitions have been rising rapidly to produce more bio-fuels (Cotula et al., 2008; Haralambous et al., 2009). Around 35% of foreign land acquisitions have been used for bio-fuel production in developing countries by the multinational enterprises (Ries, 2010) and investors are mainly from Europe, Brazil, China and India.

Not only this, rapid global urbanization need additional land away from agriculture (Foley et al., 2005). Around 1-2 million ha of agricultural land per year is taken away from agriculture for the expansion of built areas in developing countries (Lambin et al., 2003). In recent past, agricultural investment from developed countries and multinational companies were increasingly driven by the desire to secure domestic food and energy needs of the investor (Smaller & Mann, 2009; United Nations, 2010). The "new" investors are food-insecure and populous countries (von Braun & Meinzen-Dick, 2009; Gorgen et al., 2009; Smaller & Mann, 2009). The recipient countries see the land deals as an opportunity to get funds for the development of agriculture or infrastructure. The contemporary land investments in developing countries are also meant for promotion of eco-tourism and tourist complexes, the establishment of SEZs and their infrastructure (Zoomers, 2010). However, the international land deals have been

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severely criticized due to their focus on cultivation of bio-fuels and the full export rights to the production, thereby threatening local food security and livelihoods in developing countries. The large-scale land acquisitions by foreign investors have more visibly back on the development agenda in developing countries. The foreign land acquisitions pose threats to the smallholders' land rights and livelihoods of rural communities.

SMALLHOLDERS AND LAND ACQUISITIONS

Smallholders have lower literacy rates and poor human development indicators compared to large land dominance (Nugent & Robinson, 2010) with limited impact on employment and poverty reduction (Pacheco & Chapuis, 2009). Large scale agriculture were promoted to overcome technological, infrastructural and institutional challenges faced by smallholder agriculture through well-resourced schemes like "bonanza farms" in the Dakotas in 1860-1900 (Drache, 1964) and Brazilian rubber plantations in the 1920s (Grandin, 2009), which were ended in spectacular failure and reverted back to smallholder agriculture. The provisions for subsidies and tax breaks in Uruguay in 1987 helped attract FDI to establish a globally competitive forestry industry for employment and income generation (Morales, 2007). In Brazil, long term investments in agricultural technology helped the expansion into vast areas of previously uncultivated lands in the 1970s (World Bank, 2009). In Peru, large agricultural investment helped the country to emerge as a major high-value agro-exporter of horticultural produce and generating many jobs (Hernandez, 2010). In Indonesia, large farming has failed to lead to sustainable investment and contributed to the loss of land with high biodiversity (Koh & Wilcove, 2008).

The existence of smallholders is threatened by global economy processes and only a small proportion of entrepreneurial smallholder will survive (Akram-Lodhi, 2008; World Bank, 2007). With liberalization of land market, FDI has increased in exploitation of minerals, the production of bio-fuels and food, and the construction of infrastructure, including tourism and estimated at US $379 million in 2006 in developing countries with favorable conditions from the national governments in developing countries (Zoomers, 2010) and by the end of 2009, FDI in agricultural farmland was amounted to an estimated 56 million hectares and up to 20 million hectares of land have been acquired by foreign investors since 2006 and widely practiced in Latin America, Southeast Asia, Eastern Europe and most significantly, Sub-Saharan Africa. Around 1-3 billion smallholders will be excluded from job markets and subsequently unable to escape rural poverty. At the same time, the smallholder sector provides more rural employment opportunities than large farms and reduces poverty (Songwe & Deininger, 2009; Taylor & Bending, 2009). Therefore, agrarian future depends on smallholders through increased investment in agricultural training and extension but there is no denying the fact that the smallholders live in precarious conditions. But the modernized agriculture requires large-scale farms (Vermeulen et al., 2009), which support large-scale land acquisitions. However, the smallholder production is economically more efficient than large-scale production (Taylor & Bending, 2009). A combination of smallholders along with commercial enterprises promotes scale economies in processing and marketing (Collier & Dercon, 2009). Therefore, contract farming could be the best option for smallholders.

The process of "de-agrarianization" is taking place through occupational adjustment, reorientation of income-earning, social identification and spatial relocation of rural dwellers (Bryceson, 1999, 2002). Forests are becoming subject to profit-seeking behavior for their carbon sequestration value to reduce

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climate change impact (Taylor & Bending, 2009). Eco-tourism and large-scale tourist complexes, the establishment of SEZs and their infrastructure are causing shift in land from agriculture to other activities. Not only this, sometimes, companies use land acquired as collateral for bank loans. Agricultural land and water have become contested commodity (Smaller & Mann, 2010), attracting investors from the financial sector who have more traditional market-oriented aims. Smallholders live on diversified farm and non-farm income activities and remittances (Bah et al., 2003; Barrett et al., 2001; Bryceson, 1999, 2002). Besides, population pressure, smallholders may face new challenges due to climate change (Collier & Dercon, 2009). The foreign land investors are additional "players" causing more competition for natural resources for livelihood amelioration (Braun & Dick, 2009). Foreign investors are not interested in marginal land and require fertile soils with irrigation potential and access to ports (Cotula et al., 2008). Most usable land is already being used (Braun & Dick, 2009; Taylor & Bending, 2009), therefore, the current "unused" land is an important source of rural poor livelihood strategies (Taylor & Bending, 2009) and can contribute up to one-fourth income of a poor household (Oxfam, 2011). The foreign acquisition of 'unused' land might affect survival of poor rural population.

The current land deals are called 'foreignization' of space and commoditization of land and other natural resources (Zoomers, 2010). With the liberalization of land market, FDI in developing countries increased rapidly as the national governments accommodate foreign investors and provide them favorable conditions (Zoomers, 2010) and welcome the new source of foreign currency income and other offered benefits (Cotula et al., 2009; Zoomers, 2010). In recent past, large scale land acquisitions have been done by foreign investors for growing food for their home markets (Sahai, 2010). Majority of the agricultural land acquisitions have taken place in Sub-Saharan Africa-SSA (World Bank, 2010). More than 80 Indian companies have invested in buying or leasing huge plantations in SSA to grow food grains and cash crops for the Indian market (Mihretie, 2010). Foreign investors use large mechanized farms to produce output for export, leaving little or nothing for the local populations (Sachs, 2011). Local residents and smallholders have been displaced to enable the land acquisitions by foreign investors, often referred as "accumulation by dispossession" (Harvey, 2006). Therefore, the foreign investments in agricultural land should recognize the rights of smallholders and domestic food security. The agreements for foreign land acquisitions should be based on balanced contracts and partnerships safeguarding the interests of all stakeholders (Food and Agriculture Organization - FAO, 2011).

LAND ACQUISITIONS AND INDIAN EXPERIENCES

Globally, the total land acquisitions by foreign investors range from 43 million ha (World Bank, 2010) to 80 million ha (International Land Coalition-ILC, 2011), and 227 million ha (Oxfam, 2011), of which 60% land acquisitions is in SSA. The land acquisitions are often in excess of 10,000 hectares and up to one million hectares. The main investors are states, sovereign wealth funds and the private sector, including agri-businesses, investment banks, commodity traders and mining companies. The current investment flows fall into different categories. The private sector in Europe, the U.S. and Japan are looking for land all over the place, from Russia to Sudan to Australia. They are likely to produce crops for food, feed and fuel; whichever takes the highest price or supplies other integrated production chains (Daniel & Mittal, 2009; Görgen et al., 2009; Smaller & Mann, 2009). Many agri-business companies have been at the forefront of large-scale land acquisitions for many years (Amanor, 2012), which involve investments

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and dispossession that expel people from agriculture without absorbing their labor in manufactures and creating large surplus dispossessed populations (Araghi, 2010; Li, 2009, 2010). This represents capitalist agrarian transitions worldwide (Tanner, 2010).

FDI and Land Acquisitions

The magnitude and distribution of capital flows to developing countries depend on its determinants (Calvo et al., 1996). The cultural and geographical factors influence the bilateral flows between specific investor and host countries (Benassy-Quere et al., 2007). FDI between two countries depend on the bilateral motives and relative costs (Markusen & Venables, 1998). There are both horizontal and vertical motives (Markusen & Venables, 2000), which explain bilateral FDI (Wei, 2000). FDI into agricultural land is an emerging trend in post-volatile prices of agricultural commodities (von Braun & Meinzen-Dick, 2009). In recent past, the liberalization of capital markets has considerably increased capital flows to developing countries. The countries with the weak law, high political risk, underdeveloped financial markets, high transaction cost, and governance deficits attract limited FDI flows (Shleifer & Wolfenzon, 2002). Institutional factors have significant role in unilateral capital flows to developing and emerging economies (Alfaro et al., 2008). Therefore, the magnitude and nature of capital flows varies across countries (Schnitzer, 2002). Investment is also determined by the length of commitment and managerial control. The potential to technology transfer, knowledge and skills, and FDI is more conducive to local development. In the past, the large scale transnational land acquisitions were part of colonial expansion. There are long-term effects of foreign land acquisitions in developing countries (Banerjee & Iyer, 2005; Iyer, 2010) and developed countries (Libecap & Lueck, 2011).

India is experiencing stagnant agricultural yields in recent years. Increasing population and reduction of poverty are both likely to contribute to rising food demand (Bhaskar, 2010). India's current annual food grain production is 230 million tons. By 2020, food demand will grow to 250 million tons (Hazra, 2009). The retail wheat prices have been higher than global prices of wheat (Chandrasekhar & Ghosh, 2011). With large consuming markets, India decides to purchase anything in large quantities to ensure food security (Bhaskar, 2010). The financial speculation by institutional investors has also become a major factor in global market price volatility (Ghosh, 2011). There has been mounting water shortages in India. Northern India is losing about one foot of its groundwater each year and groundwater levels in Punjab is estimated to fall below 100 feet by 2020. Besides meeting food security, the low cost of farming in SSA is also a potent factor driving food production outsourcing in India (IANS, 2011). The availability of huge cheap arable land is a major advantage (Ramsurya, 2010). The land lease rate in Punjab's Doaba region is a minimum of Rs. 40,000 per acre compared to Rs. 700 per acre in most African nations (Vashisht, 2010). The Department of Agriculture and Cooperation of the Ministry of Agriculture has received offer to increase agricultural production in the respective SSA countries to reduce their dependence on imports of food grains and export of surplus food grains to third countries.

Institutions and Land Acquisitions

There are institutional arrangements for land deals (Hall, 2011) such as stripping of resources for mining, outright takeover of land and related resources for commercial enterprise (Kydd & Christiansen, 1982**;** Loewenson, 1992), commercial operators taking over a block or area (Ariyo & Mortimore, 2011; Hammar, 2010), the development of processing facilities for value chains (Amanor, 2008), and com-

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mercialization *in situ* for commercial value chains (Amanor-Wilks, 2009; Chalfin, 2004). Each of these institutional arrangements involves different requirements for investment in roads, irrigation systems, schools, and health clinics. The last two institutional arrangements result in dispossession of local cultivators (Julia & White, 2012).

The Constitution of India empowers the State to acquire land based on payment of compensation at a rate which shall not be less than the market value prevailing. The Land Acquisition Act 1894 was comprehensively amended in 1984. The National Policy on Rehabilitation and Resettlement, 2007 has replaced the National Policy on Resettlement and Rehabilitation for Project Affected Families, 2003 (Chakrabarty & Dhar, 2010). The Land Acquisition (Amendment) Bill, 2007 was introduced in the Parliament in November 2007. It acknowledged that land acquisition would lead to displacement of people and deprive them of their livelihood and shelter. Land acquisition would have traumatic psychological and socio-cultural consequences for the affected population, which call for protecting their rights.

SPECIAL ECONOMIC ZONES AND LAND ACQUISITIONS

A Special Economic Zone (SEZ) is a specifically delineated duty free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs and comprise both processing and non-processing areas (Citizens' Research Collective - CRC, 2012). It is a geographical region that has economic laws different from a country's generally applicable economic laws and established for spurring economic growth (Maharashtra Economic Development Council - MEDC, 2008). It is a geographically delimited area administered by a single body (World Bank Group, 2008). According to Tantri (2010), SEZs are considered essential for export promotion. Export Processing Zone (EPZ) is a type of SEZ within the host state territory (Muchlinski, 2007). SEZ and EPZ are implementing regional economic development strategies (Guangwen, 2003). The SEZ is a subset within the geographical boundaries of the state. Political and economic stability, reliable infrastructure, inexpensive labor, market access, and efficient bureaucracy are determinants of not only attractiveness of the SEZ, but the success of the SEZ. India is the first country in Asia which set an EPZ in Kandla in 1965. The Government of India has introduced the policies of the liberalization, privatization and globalization (LPG) in early 1990s. As a part of the LPG, the SEZ has been introduced in April 2000 to promote export-oriented growth through FDI, for which a lot of land is being acquired by both the state and central governments in India (SEZ, India, 2011a). The Foreign Trade Policy governed SEZs in India prior to the implementation of the SEZ Act, 2005 (Chandrasekhar & Ghosh, 2007). The SEZ Act, 2005 was passed on 23 June, 2005. It is targeted to generate additional economic activity, promote exports of goods and services, create employment opportunities, and develop infrastructure, all while maintaining the sovereignty and integrity of India. SEZs are an engine of exports expansion, economic growth and employment generation (Sharma, 2009).

In post-liberalized period, there was a dire need of investment in infrastructure. Foreign investment in energy, power, road, and rail welcomed through a single window clearance. SEZs create economic relationships between state governments and private foreign investors. For promotion of SEZs, greater reliance had to be placed on the private sector. FDI is vital to SEZ creation and implementation. SEZs have created few regions of wealth in India. Indian labor is used within country by foreign companies for business, administrative, clerical, and information technology (IT) support. Like FDI investment, SEZs were introduced and established in those states of India that could adapt to economic reform.

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Across India, there were 19 SEZs before the SEZ Act, 2005. Up to 2011, the government has approved 581 SEZs (SEZ India, 2011b) of which 154 SEZs were approved in-principle (SEZ India, 2011c) and 130 SEZs are operational. These 581 approved SEZs represent a total of 67680 hectares. Out of 581 approved SEZs, 283 SEZs are located in Andhra Pradesh, Maharashtra and Tamil Nadu (SEZ India, 2011d). Andhra Pradesh has received formal approval for 109 SEZs. Maharashtra and Tamil Nadu ranks second and third with 104 and 70 SEZs respectively. In 2010, 25843 hectares of land have been acquired for 195 SEZs. The share of Andhra Pradesh, Gujarat and Maharashtra accounts for about 77%. Gujarat has the highest share (32.4%) followed by Andhra Pradesh (28.5%) and Maharashtra (15.8%). The land allocations vary from about 25 hectares to vast stretches of land which gave rise to suspicions of corporate land grabbing with political and commercial motivations.

The Information Technology (IT) and IT enabled services sector has 61% share of SEZs. The biotech, pharmacy, textile and multi-product SEZs have less than 10% share each. There are three airport based multi-product and eight port-based multi-product SEZs (SEZ India, 2011e). For the promotion of the SEZs, tax holidays are generous. SEZs are so-called "tax havens" as the developers would be exempted from tax in the SEZs. Besides, exemption from Custom Tariff Act, 1975, Central Excise Act, 1944, Central Excise Tariff Act, 1985 and other similar laws, there is 100% Income Tax exemption on export income for the first 5 years, and 50% for the next 5 years (SEZ India, 2011a). Land is given to developers at low rates (Dutta, 2009). There are heavy losses to the state exchequer in terms of forgone revenue (Chandrasekhar & Ghosh, 2007). The Commerce Ministry of the Government of India considers SEZs as "engines of growth" (Pannu, 2011). The investment in approved SEZs stood at £416 million, however, the SEZs failed to attract desired FDI (Arunachalam, 2010). The value of exports from SEZs increased from £1.9 billion in 2003-04 to £30.6 billion in 2009-10. The growth rate of exports increased from 25% before the SEZ Act, 2005 to 52% after its implementation, which increased to 121.40% in 2009-2010 (SEZ India, 2011a). The total employment by all types of SEZs across India was 370,000 in 2008 (Reddy et al., 2010).

However, the acquisition of agricultural land by the SEZs has resulted in fall in food-grain output and agricultural employment (Mahanta, 2010) and the fall in agricultural employment is not offset by employment gain in the SEZs. The total amount of land likely to be acquired across India is estimated at 150,000 hectares and this land is predominantly agricultural and typically multi-cropped and capable of producing nearly 1 million tons of food grains. If SEZs are seen to be successful in the future and more cultivated land is acquired, they will likely to endanger the food security of the country. Therefore, the large scale land acquisition is the burning issue of the SEZ development in India. The SEZ Act, 2005 is silent on this issue. Rather, out-dated Land Acquisition Act, 1894, is applicable in case of land acquisition for SEZs. The Land Acquisition (Amendment) Bill, 1998 has also several shortcomings such as the land losers could have their land acquired even if a stated compensation is not paid (Asif, 1999). Land acquisition is highly contentious and problematic if it is displacing huge population as has been experienced in Nandigram, West Bengal. The real-estate developers can also grab land in the name of setting up SEZs (Chandrasekhar & Ghosh, 2007).

According to Balasubramanian (2010), a total of 95,000 hectares of land has been consumed by the SEZs in 2008, whereas, the land allocated to SEZs was 0.070% of the total land area nationally and 0.128% of the total agricultural area of the country (Reddy et al., 2010). According to the Commerce Ministry, Mundra SEZ has brought infrastructure to the hinterland of Gujarat and increased the wealth of the poor due to high land rates in barren and unproductive land. In some cases, the wastelands mostly owned by the government have been used in the coastal regions of Gujarat. Therefore, there has been

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no land acquisition (Bhatt, 2007). In Tamil Nadu, the rural population has welcomed the SEZs, which led to their improved livelihood (Murugesan & Bandgar, 2010). Despite their apparent success, the SEZs have faced intense resistance due to forced land acquisition and the users' eviction under the Land Acquisition Act of 1894. The compensation paid is woefully inadequate compared to loss of land and non-land assets including livelihood opportunities. Therefore, the irony of the policy is that the proper rehabilitation and resettlement (R&R) schemes for the displaced population have not been prepared.

The 1894 Land Acquisition Act empowers the Government to acquire any land from private hands for public purposes (GOI, The Land Acquisition Act, 1894). Land acquisition actually implies acquisition of a physical area. The Transnational Corporations (TNCs) have been targeting the mining of land and hills in Orissa, Jharkhand, and Chhattisgarh. In 2005, the South Korean Steel Company – Posco had set up a plant near Paradip port in Orissa to produce 12 million tons of steel per annum. In 2010, the Government of Orissa announced a Rs. 70-crore rehabilitation package for 3,000 displaced persons by land acquisition. Vedanta, Reliance, ESSAR, and Jaypee group of companies have also resorted to large scale land acquisitions for power generation and mining thereby displacing thousands of people (Sharma & Singh, 2009). In India, the land question has become most acute (World Bank, 2012). More than 60 million people have been displaced due to development since independence and displacement rate has increased rapidly in post-liberalized era (Fernandes, 2008) with larger state role in acquiring land from farmers (Government of India, 1994). In March 2007, the land acquisition of 10,000 acres of land by foreign investors in the SEZ of West Bengal caused massacre of farmers, rapes and assaults in the villages of Nandigram and subsequently ousting the Left Front government from state power in 2011 (Bag, 2011; Vinayak, 2011). Between 2011 and 2012, uncertainties in land availability contributed to stalling capital investments of about 3% of India's GDP (Center for Monitoring Indian Economy - CMIE, 2012). The Government of India announced that the timely completion of infrastructure projects was a top priority, for which there is the urgent need to streamline land acquisition (Economic Times, 2011).

Thousands of acres of land were acquired for SEZs in Andhra Pradesh without any industry worth its name. Large scale agricultural lands were being hurriedly diverted for non-agricultural purposes and thousands of poor Scheduled Caste families were displaced. The non-tribals have taken over the lands of tribals in a big way. During 1969-2002, 1.71 million hectares of government lands have been assigned to 2.9 million landless households in Andhra Pradesh. In the name of public purpose for the SEZs, these assigned lands are being resumed back. Recently, the Government of India introduced Land Acquisition (Amendment) Bill 2007 to make it much easier for the governments to take over people's lands. The Andhra Pradesh Industrial Infrastructure Corporation (APIIC) was created for industrial development. There was a land bank of 48579 acres (19659 ha) during 1974-2004 with APIIC. During 2004-09, land bank has increased three times with 121,655 acres (49233 ha). The APIIC has transformed to a land broker and has 300 industrial parks and 80,000 acres of land bank with turnover of Rs. 1,080 crore in 2006-07. There is no guiding principle in the SEZ Act as to how the land should be used by the developer. How the developers have to allot land to the industrialists is also not clearly specified. There are no guiding principles in SEZ Act about the basis of which the developer will make the land available to the private industrialists in respect of rate of rent, mode of rent fixation and selection criteria of industrialists. The time given to a developer is 3 years for the establishment of an SEZ, which is extendable by 2 years i.e., totally 5 years. If the developer fails to do so, then only government may take it back or allocate it to a new developer. As already mentioned, the SEZs are also displacing people on a large scale. In Andhra Pradesh, some SEZs have affected livelihoods of thousands of fishermen, artisans and rural workers and small agriculturists. The village level institutions and the local communities are not

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involved in decision-making. The government should recognize the inherent rights of the local communities to their land and resources (Sarma, 2007). The displaced and affected population has shown resistance against forceful takeover of their lands and resorted to demonstrations and protests. In Raigarh district of Maharashtra, people resisted acquisition of 10,000 hectares of land in 83 villages and forced the government to cancel the SEZ. Most of the time, the State has been very brutal and resorted to force against the demonstrators and protestors.

CONCLUSION AND POLICY IMPLICATIONS

In the recent past, India has become a hotspot for FDI in land acquisitions due to unstable poor smallholders farming practices and unsustainable diversified non-farm activities. This transition is caused by high pressure on environmental resources due to rapid population growth and climate change supplemented by structural adjustment programs and market liberalization. The key drivers of land acquisitions are food security, the bio-fuels boom, growing business opportunities, and policy reforms. Increased foreign land investment may increase economic growth and raise government revenues, and create new livelihood opportunities through new capital, technology, know-how, infrastructure and better market access. At the same time, foreign land acquisitions may result in local people losing access to the resources. Laws may not have sufficient mechanisms to protect local rights and take account of local interests, livelihoods and welfare. Insecure resource rights, inaccessible registration procedures, inadequate compensation and legislative gaps often undermine the benefits flowing to the local people. At the same time, transparency in foreign land negotiations, information and decision-making are major challenge. FDI in land acquisitions through SEZs has potentially profound implications for the future global economic and social transformations including livelihoods and food security. Therefore, there is a need for wider public consultation involving all stakeholders to ensure improved livelihoods and food security. The creation of robust institutions and social and environmental impact assessments of FDI in land acquisitions are called for, to promote inclusive growth through more job creation, infrastructure development, public revenues, environmental protection, and to protect local food security, particularly in times of food crisis.

Besides above, the following suggestions will go a long way in ameliorating the livelihood conditions of smallholders. Keeping in view the rapid population growth, changing consumer preferences for food, climate change, shrinking natural resource base, extreme poverty and vulnerability in rural areas, there is a need to increase investment in agriculture with more focus on smallholders. There is need to secure their rights on land, water and other natural resources with greater access to capital investment, expertise, appropriate technology and markets. Smallholders play a key role in poverty reduction and food security. Therefore, they must receive priority attention from government, the development community and other investors for solution to food security. Women play a critical role in agricultural production. Hence, economic and social empowerment of women should be another priority intervention by the government and other stakeholders.

Besides government, private-sector investment can also play a major role in meeting shortfall in agricultural investment on the part of smallholders. Socially responsible private-sector investors can play a significant role in providing much needed capital for appropriate technologies focusing on local and national markets for poverty reduction, food security and economic growth. There is need to promote mutually beneficial partnerships between smallholder farmers and private-sector investors without large-scale land acquisitions using contract farming or joint share equity schemes. The success of such

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partnerships depends on the level of ownership, governance, risk-sharing and benefit-sharing between them. In this context, there is need to empower smallholder farmers and rural communities to engage on equal terms with outside investors. Besides, there is need to monitor the implementation of agreements to ensure that the anticipated benefits are realized.

Government has a key role to play in promoting sustainable agricultural investment for which there is need to develop transparent, accountable and accessible land administration institutions. Social mobilization against 'land grabbing' as well as outside investors is essential using documentation and dissemination of examples of sustainable and mutually beneficial partnerships. In this context, civil society and private-sector service providers can play a major role in empowering rural communities and strengthening good land governance. The principles of good land governance and responsible investment in agriculture need to be framed and followed which includes recognizing existing rights to land and other natural resources, strengthening food security, transparent and accountable investment, robust legal and regulatory environment, sustainable consultations, economic viability, and quantification of social and distributional aspects including environmental impacts and sustainable resource use.

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KEY TERMS AND DEFINITIONS

Dispossession: The use of extra-economic coercion to expropriate non-labor assets from one group for the use of another.

Food Security: It refers to achieving reliable access to adequate, affordable and nutritious food supplies sufficient to avoid chronic hunger.

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Foreign Direct Investment: An activity in which an investor resident in one country obtains a lasting interest in, and a significant influence on the management of, an entity resident in another country.

Grabbing: It creates specific kinds of property dynamics, namely dispossession of land, water, forests and other common property resources; their concentration, privatization and transaction as corporate (owned or leased) property; and in turn the transformation of agrarian labor regimes.

Land Grabbing: The purchase of vast tracts of land from poor, developing countries by wealthier, food-insecure nations and private investors is called land grabs.

Large-Scale Land Acquisitions: A large-scale land acquisition can be defined as the acquisition of any tract of land larger than 200 hectares (ha), or twice the median land-holding, according to the national context.

Special Economic Zone: It is a geographical region that has economic laws different from a country's generally applicable economic laws.

Tele-Connection: The term 'tele-connections' is employed to describe causal relations between land uses over large geographical distances.

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Chapter 63
Urban Economy and Sources of Its Efficiency as Factors Addressing the Challenges Faced by Urban Economy:
The Case Study of Southern African Region

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ABSTRACT

Rapid growth of density of population and overcrowded and congested cities in the Southern African region due to urban migration from people seeking a better lifestyle and job opportunities, despite high levels of urban unemployment, infrastructure and sanitation, is embedded by lack of accelerated innovation to create sustainable future for most people. However, in South Africa infrastructure is seen as an enabler weapon of development to cultivate growth and confront challenges of efficient operations that are to reduce costs of production and create access to application of modern society. With this in mind, the chapter aims to look at the extent to which sources of efficiency can be used as a tool to address the urban economic challenges affecting the global economic development in the region.

INTRODUCTION

Rapid urban growth throughout the developing world has seriously outstripped the capacity of most cities to provide adequate basic services for their citizens. Urban congestion and the sprawl are further hampering local authorities in attempting to improve basic infrastructure and deliver essential services, across the border of Southern African region .As a result, urban poverty is a reflection based on high rise in urban slums created by lack of standards of housing and proper sanitation. In a regional perspec-

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tive, high levels of land degradation, deforestation, lack of access to clean water and sanitation services in remote areas lead to poor urban conditions and undermine the sustainability of the socio-economic development of large cities in the region. Urban poverty is also regarded as a major drive of environmental degradation. Due to limited resources in the cities, residents and migrants are unable to compete for these limited resources becoming scarce or either protect themselves against harmful environmental conditions mostly affected by impacts of urbanization. In addition independent female migration has become a major survival strategy in response to deepening poverty. As men increasingly lose their jobs, and incomes become irregular, women, like men are turning to migration to meet their economic obligations (Oppong, 1997).

Driven by poverty, they are now migrating to urban areas in greater numbers in search of wage employment in the face of deteriorating living and working conditions in rural areas. Increasing access to education means that educated women are having greater opportunities for employment in the urban formal sector and are able to participate perhaps more effectively, in both non-domestic and formal sector activities (UNFPA, 2006). The increasing proportion of educated females is also reflected in the accelerated migration of females (especially the young ones) into urban areas to seek further education and jobs. While migrant mine workers in South Africa are living in overcrowded hostels and particularly are vulnerable to tuberculosis infection; dual residence and long absence from spouses have also resulted in migrants contracting sexually transmitted infections through casual partners. All these conditions raise issues of vulnerability of migrants, limited access to medical care, entitlement to basic health services, and the need to incorporate the health care of migrant populations squarely into public health, and social policies. In Adepoju (2008) it is lamented that lack of information on migrant rights in respect of access to social services, immigrants usually experience greater difficulties than other groups in accessing services and hence in exercising their rights, as a result of cultural problems and discriminatory policies and practices in host countries. Often, immigrants are unaware of their rights or are afraid to claim them. They may not understand the local language or are simply unfamiliar with the available social services.

Rural and cross border migration led to the increase indensity of urbanization population, for which by definition, urbanization does not proceed in any orderly fashion, social and economic disarticulation within cities that are intensified by frequently hostile receptions to migrant populations, for example the xenophobia outbreak of May 2008 in South Africa. In its terms of reference, xenophobia allows the exclusion of foreign nationals from vital services that they may be entitled to; for instance, health and education, and further marginalizes and excludes vulnerable communities by increasing inequalities even for foreign nationals who are in the country legally. Often the migrants are perceived as disease carriers and they take up the citizen's employment and other opportunities by hosting countries. Although, the regulatory regime looks relatively protective of migrants, immigrants, refugees and asylum seekers, most governments in the Southern African region (including wealthier countries like South Africa) lack the resources to effectively enforce legislation. Over and above, Zimbabwe's economic implosion and political oppression have created a global Zimbabwean diaspora over the last decade. Most unskilled and semiskilled migrants have migrated to Botswana and South Africa. As a result, the xenophobic attack of May 2008 was directed at Zimbabweans. The South African government claims that the number of Zimbabweans is estimated at 3 million and rising. Obviously, the rationale is almost certainly an exaggeration. Most realistic estimates put the number at 500,000 in 2008 by now the number has escalated to more than 3 million (Statistics South Africa, 2011).

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Prior to 1994, immigration policy was a naked instrument of racial domination in South Africa, where influx control was highly regulated. Until 1991, the official definition of an immigrant was that he or she had to be able to assimilate into the white population. Africans from other parts of Africa were not considered immigrants in South Africa. Rather, they came to South Africa as temporary contract migrants under bilateral agreements between the apartheid government and its neighbors including Lesotho, Mozambique, and Malawi. This gave rise to the infamous South African migrant labor system, a system still very much in place today. After 1994, the South African government struggled to formulate a policy appropriate to the country's new role in a changing regional, continental, and global migration regime. This necessitated crafting a new policy that would define a post –apartheid migration that was to respond to South Africa's changing role in Africa. This migration and development policy would have avoided the problem of rampant xenophobia ever seen in the shameful events of May 2008 in South Africa, in which over 70 migrants were killed and tens of thousands were hounded out of their communities by South African citizens. A survey conducted by South African Migration Project (Crush, 2008) indicated that attitudes of high levels of intolerance exist nationally across the entire population of South Africans.

Creative policy thinking about immigration in South Africa has been hampered by the country's unsavory immigration history and uncertainty about the compatibility between immigration and post-apartheid transformation, and a citizenry that shows no appetite whatsoever for immigration. South Africa did not recognize refugees until 1993, and it was only following the transition to democracy that South Africa became a signatory to the United Nations and Organization of African Unity conventions on refugees and bound by the principle of non-repression.

Due to the political and economic degradation in the region and beyond, South Africa was now seen as a beacon of hope to host refugees and all types of asylum seekers, and this orchestrated the increase of influx movements in the country and in the region. In essence, one of the fundamental problems facing South African Home Affairs and any drafters of a new regionalist and development-oriented immigration policy is that of a challenge of hostility towards to immigration as a principle and to migrants in general. Therefore, the problems of maintaining these sizable numbers of urban residents in a position of uncertainty in terms of accessing livelihood opportunities, and their capacity to consolidate secure niches in urban space, local government and municipalities are to engage in policy formulation on how to address the challenges of migrant integration in the region as well as the infrastructural dilemmas in terms of limited space (Simone at al., 2003).

Growth of large cities, particularly in developing countries has been accompanied by an increase in poverty which tends to be concentrated in certain social groups and particular locations. The fundamental premise is based on labor opportunities available in urban sectors. The cost and benefit of obtaining urban jobs that accelerate rural –urban migration causes rising urban unemployment and therefore rising urban poverty levels, poor urban conditions and negative impacts of environmental levels, whereas cities in the Southern African region reflect a rapid urbanization. Botswana and South Africa have the highest levels of urbanization in the region with about 60% of their population living in cities in 2010 and expected to rise to 80% by 2050 (Muller, 2008). With regard to Angola majority of urban residents are poor and live and work in insecure, overcrowded conditions that lack adequate services. While in Mozambique 80% of urban populations live in informal settlements on the edges of the cities resulting in formal supply of land which does not keep with the demand for land and lack of access to proper sanitation and water. Notwithstanding that water is a source of efficiency and a critical aspect facing the continent's development (USAID, 2013).

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In this chapter, urban economic challenges affecting the global economic development in the Southern African region are discussed. In addition, aspects such as cross-border migration, foreign aid, policy planning strategies on economic and social services, development efficiency, adaptation and mitigation of urban-migration factors affecting global economic development in the Southern African region are outlined. Furthermore, sources of efficiency, managerial implications and recommendations are provided.

BACKGROUND

Definition

Urban migration is defined as density of population in the cities caused by rural migration and immigration seeking for better livelihood in cities such as job opportunities, health, education, sanitations and electricity. Rapid urban growth include increasing unemployment, environmental degradation, lack of urban services, overburdening on existing infrastructure and lack of land, finance and adequate shelters (UNCHS,2001b).Urban migration in cities is further identified with settlements developed on fragile environments such as steep slopes, natural drainage, waterways and floods prone areas with inadequate housing and settlements designed tailor-made to deteriorating morality, security and increasing levels of crime within the continent in African cities(Shaw and Louw, 1998).

Africa's Perspectives

Africa as a continent faces endemic poverty and strain food insecurity, pure water scarcity, poor sanitation, and lack of infrastructure in general. The lack of access to sanitation is further embedded on massive health burden as many people who lack sanitation engage in unsanitary activities like open defection. The practice of open defection is the primary cause of fecal-oral transmission of diseases with children being the most vulnerable in the region (WHO, 2014). Africa's population base remains young in part as life expectancy remains at an average of fifty years (Statista, 2014),and this is contributed by the impact of malaria, tuberculosis, cancers, heart diseases, HIV/AIDs, malnutrition.

64% of African household income is spent on food while 80% of the population controls only 6% of national incomes. Despite urban growth rates, on aggregate, access to clean water and sanitation facilities have not improved in twenty years, with a statistical majority of the region's population still without basic amenities (Simone et al., 2003). In a general climate, impoverishment and diminishing human services are often marked discrepancies in access to health services and education, safe water, and economic opportunities for women. Nonetheless, in South Africa, 90% of safe water is provided for of its urban population where as in Mozambique the coverage of safe water is only at 17% (Simone et al. 2003).

In the disparity distribution patterns and impoverishment of urban cities, city dwellers make concerted efforts to invest in an urban existence. Even when their consumption levels decline significantly, there remains an on-going attempt to secure greater access to basic conditions of sustenance, such as water and electricity. One of the main reasons for rural migration to cities is attributed to electrification and declining agricultural productivity, lack of access to basic physical and social infrastructure resulting in overcrowded, informal settlements, characterized by inadequate housing, poor provision of infrastructure such as roads, street lights, water supplies, sanitation and waste management services manifesting themselves in overburdening infrastructure and environmental degradation in cities.

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In South Africa for example, the government has prioritized one of its strategies on addressing housing in urban areas countrywide to meet the demand for housing through Reconstruction Development Program (RDP).The aim of the project was to curb lack of housing and reduce informal settlement and squatter camps. During the first six years of the democracy, more than one million low-cost houses were built. This number has since increased. However, lack of awareness of resources, efficient construction practices and corruption have resulted in excessive use of natural resources and generation of large amounts of construction waste that are rarely recycled (Macozoma,2000).Furthermore, increased levels of urbanization are also caused by natural growth of the urban population and the migration of the rural population towards cities. Rising urban poverty is amongst the major drivers of environmental degradation. The urban poor, who are unable to compete for scarce resources or protect themselves from harmful environmental conditions, are most affected by these negative impacts of urbanization.

Thus, managing environmental sustainability becomes a core stride of challenge for future economic development even at the regional scale. Municipalities are confronted with financial difficulties and the institutional capacity to absorb what is available is limited. Inadequate staffing in the municipalities and government department that handle environmental issues is another factor in the downward trend in environmental sustainability, while draught and flooding adaptations are a dominant climate change risk in the region. Since 2002 in Mozambique, a countrywide program was initiated to undertake the government of Mozambique to align urban development efforts at the national, municipal and community levels respectively. The aim of the program was to include the urban poor in the planning and decision-making processes on issues including urban vulnerability, slum upgrading and city development strategies in cities throughout the country (Cities Alliance, 2012).

MITIGATION STRATEGIES AS FACTORS ADDRESSING CHALLENGES FACED BY URBAN ECONOMY IN THE SOUTHERN AFRICAN REGION

Regional Historical Overview

Three factors strongly increase the threat of environmental degradation in Southern Africa region, namely demographics, foreign debt, and the absence of democracy. Throughout the region, the end of the colonial period saw an expansion of social services, especially in the areas of education and health care. This led to a decline in infant mortality and an increase in population. During the last 25 years, this increase in population rose from 2.5% to 3.5% annually and has caused the Southern African population to double at the current rate of 570 million. This is anticipated to double again in the next 25 years (Mabogunje, 1995). In terms of foreign debt, countries in Southern African region incurred large foreign debts in their efforts to industrialize and to provide their rapidly growing populations with modern social services. Most of these loans have been long-term ones from international official sources and on concessional terms; as the need for borrowing has become more urgent, however, countries have turned increasingly to private, short-term loans at market rates. Thus, while in 1970 the region's total official debt (excluding that of South Africa and Namibia) was slightly more than $5 billion (US dollars); but by 1990 it had risen to nearly $140 billion. The total private debt, which was zero in 1970, was more than $20 billion in 1990. Other external foreign loans amount at a total of more than $171 billion by 1990 (Mabogunje, 1995).

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High dependence on the export of primary products also left Southern African region countries vulnerable to the long decline of commodity prices that began in the 1970s. The total value of the region's agricultural exports has fallen dramatically, with the decline averaging to 2.5%t a year in 1988. For some countries the decline has been even more pronounced. As a result, the burden of debt has risen markedly for most countries in the region. Between 1980 and 1989, the total external debt rose from 27% to 97% of gross national product and from 975 to 362% of exports. The consequences of the foreign debts in the region created a need for the region to undergo major structural adjustments. This has entailed not only a drastic compression of imports and a sharp devaluation of national currencies but also the retrenchment of a sizable portion of the wage- and salary-earning population. As living conditions deteriorated, more people turned to survival agriculture, both in urban and rural areas. At the same time, sharply rising prices for imported energy products forced many families to fall back on wood and charcoal for their domestic energy needs, which put acute strain on the environment everywhere in the region (Mabogunje, 1995).

Governance

Many urban problems in environmental issues are as a result of poor management, poor planning and absent of coherent urban policies rather than urbanization itself. Corruption, war, dictatorship, economic instability and lack of good governance by heads of states contribute immensely to the challenges facing regional urban economy. No amount of finance, technology or expertise can secure environmentally sustainable developments or protect environment. Fundamentals of good governance seem not to be democratic or participatory or pluralistic. Worsening environmental conditions can have serious effects on human health and welfare especially to the poor (Global Policy Forum, 2013). Poor sanitation, air and water pollution causes chronic and infectious, respiratory and intestinal diseases. The lack of good governance such as corruption, foreign debt and democracy in the region further worsens the global economic development and challenges the stabilization of regional operations.

Urban Management Planning

Environmental problems occur because of the concentration of environmentally negative impacts. Absence of good urban planning infrastructure impacts heavily on environmental problems and further increases the degradation. Well planned density of population reformed can reduce the need for land conversion and provide energy savings and make recycling cost effective. If cities are well managed with adequate attention to social developments and the environment, the present problems of rapid urbanization particularly in the Southern African region can be avoided. A clear step of direction is if national governments can incorporate a clear urban component in their economic and social budget costs, increase in resources efficiency, reduction in waste generation, improved urban infrastructure for waste service supply, management of water supply and conservation of water resources in urban areas, improved waste control through legislation, using recycling schemes, development of more efficient waste collection systems. Strict legislation for the treatment of hazardous waste collection through public-private partnership and adoption of energy technologies by industries and household, and restoration of brown fields that could positively rescue impact on urban influx control. In addition, if local authorities are to assess the impact on utilization of local services i.e. schools, health facilities, welfare services or local employment, sanitation, infrastructure, waste disposal, energy and air pollution as factors that can contribute to environmental challenges in order to harmonize regional bilateral.

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Food Security

Urban Food Security in the Context of Urbanization and the Economy

The world's rural urban tipping point was reached in 2007, marking the first time in the history of the planet that more people lived in urban centres than in rural areas. As the global population continues to grow towards a mid-century estimate of 9 to10 billion (Frayne et al., 2009),the majority of this demographic increase will be in cities; and 95% of that growth will be concentrated in the cities of the developing world (UN-HABITAT, 2007: 4). Research indicates that future urban growth will be most intense in Asia and Africa and that these two regions will have the largest populations on the planet by 2030 – 2.66 billion and 748 million respectively (UN-HABITAT, 2007: 8). At twice the global average, the pace of urbanization is already highest in Sub-Saharan Africa. The average rate of urban growth for Southern African region is close to 4% and is expected to persist for decades to come (Frayne et al., 2009). Although uneven between countries, as far back as 1995, more than 50% of Southern Africa's population was urban based, and it is expected that at current rates of urbanization the population of the region will exceed 60% by 2015.With urbanization, the transfer of rural poverty to urban areas is rising globally.

Although economic development is uneven across countries in Southern Africa, urban poverty remains a chronic challenge to development, even in the more successful cases such as Namibia, Botswana and South Africa. For South Africa, national level data indicate that despite relatively high levels of recent economic growth, poverty incidence has not improved. Based on income/consumption expenditure surveys for the years 1993, 1995 and 2000, average monthly per capita values have declined in real terms. As a further indication of persistent poverty, the percentage of the population living in households with consumption or income per person below the poverty line (H %) has also increased. Finally, although the Gini index 2 has improved over this period, it has done so by only one point, indicating that economic inequality has remained significant and stagnant (Frayne et al., 2009).

Regional Environmental Problems

Air Pollution

The growing concerns in many urban centres, particularly large cities in the region are as a result of the level of air pollution, mainly from vehicle exhausts, industrial emissions, and domestic use of wood fuel, coal, paraffin and refuse for heating and cooking. Levels of suspended particulate matter and lead poisoning or pollution are among the highest in the world, creating a high risk of respiratory disorders to the 10.6million inhabitants (UNCHS, 1996). In dense, informal settlements, the use of traditional fuel sources contributes to rising ambient levels of sulphur dioxide, nitrogen oxides, carbon monoxide, ozone and suspended particulate matter. Exposure to these pollutants is associated with increased risk of acute respiratory infections, particularly among children. Electrification of households, promotion of low-smoke fuels, and improved ventilation of houses are some of the measures that have been adopted to reduce health risks.

The mining and industrialization sectors, mainly in South Africa, have a huge contribution to the environmental pollution at the regional scale. Minerals exploitation is a factual damage impacts caused in the surroundings of processing plants and held responsible of real environmental challenges namely, air pollution with volatile organic compounds and dust emission, acid mine drainage, noise pollution

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that interact with local communities, affecting human health, underground water, livestock, fauna, flora and forced relocation. These may be attributed to migration in the urban areas particularly for South Africa. Sometimes located in the neighborhood of urban areas, mining exploitation activities have been promoted in detriment of environmental impacts exposure of the population. The same is observed in regional countries such as DRC, Zambia, Angola, and Zimbabwe. Of utmost challenging in the South African context is the fact the mining sector is fed with energy produced from coal-based power generation resulting in enormous greenhouse gas emissions (CO2, NOX, SOX)polluting the environment (Mabiza, 2013).

Road traffic germs in the region are escalated to an alarming situation given the poor road infrastructure in general, increase of automotive trading movements which count as regional challenge. The non-existence of echo-friendly high-speed train systems has an impact on the escalation of pollution from automotive industry as assumed the number of cars on the road doubling in every seven years.

Land Degradation and Deforestation

The process of land degradation in Southern Africa is blamed on water and wind erosion, sedimentation, long-term destruction of vegetation and diminution of the bio-resources. External forces including the state of the global economy, inaccessible markets and unfavorable commodity prices, the debt burden, unequal terms of trade and protectionism plus import barriers in developed countries, may increase rates of natural resource exploitation by preventing diversification. Land degradation is often caused by population pressure and human activities such as over-cultivation which exhausts the soil, overgrazing which removes the vegetation cover that protects soil from erosion, deforestation which removes trees and vegetation which binds the soil to the land and poorly designed irrigation that turn cropland saline. In most countries, inadequate budgetary allocations and lack of or poorly articulated regulations on implementation of the policies and coordination remain the greatest challenge. Others include inadequate capacity to enforce these policies as well as lack of commitment and political will.

Most farmers who live in the rural areas are poor and practice small-scale rain-fed agriculture and/or agro-pastoralism Other than agriculture, approximately 17% of land is formally protected as forest/game reserves and/or national parks where animals are protected for tourists viewing or periodic trophy hunting as a form of land management. Many indigenous people displaced by conservation move to adjacent areas where they upset previous land carrying capacities causing land, thus diminishing land productivity. Similarly, large mining concessions or settlement schemes have also caused land degradation through pollution and over use. Expansive areas are owned by commercial farmers producing for export. They own large ranches or practice irrigated agriculture (predominantly so in South Africa, Namibia and Botswana and pre-land reforms Zimbabwe).

Various policies and management programs and projects have been put in place including farmers' training on relevant activities such as grass seeding for marginal and degraded lands, construction of grade stabilization structures and stone lines on the rangelands, check dams and progressive soil survey and mapping. Many governments in the region lack the staff or financial resources to administer their protected areas, much less invest in new ones. Innovative strategies, such as involving private groups and non-governmental organizations, are being considered and may provide another option for conservation management. Such groups are believed to be better able to raise funds to purchase land, to support conservation activities in existing parks and reserves, to incorporate the local population in management

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decisions, and to negotiate land-use disputes within and between communities. While public investment, regulation, and conservation are important, it is institutional development that offers the most hope for alleviating poverty and protecting the environment.

Climate Change Impacts and the Need for Adaptation

The phenomenon "climate change" refers to a continuing trend of changes in the earth's global weather conditions as a result of an average rise in the temperature of the earth's surface often referred to as global warming. At present the global climate is changing much more rapidly as a result of global warming, leading to, among others, the melting of polar and glacier ice, sea-level rise, ocean acidification, changes in snowfall and rainfall patterns, more frequent floods and droughts and increased frequency and intensity of extreme weather events. The rapid rate of this climate change does not allow the earth's bio-physical systems to adapt to these changes naturally (Parry et al., 2007).

The climate-related migration in the Southern Africa region is with reference to activities of agriculture in the remote areas affected by climate change effects, resulting in climatic variations that have effects at multiple scales. Extreme weather conditions such as droughts and sporadic rainfall patterns affect agricultural productivity and parts of primary foods that are important for poor households, causing higher prices for consumers and decrease in the income of farmers (Odeku, 2012).

In the region, remote areas are predominantly vulnerable to the impacts of climates because of their high dependence on natural resources, farming for survival and agriculture, and limited capacity to cope with these impacts. Without any action taken by authorities climate-related migration effect is only going to get worse. Local institutions and governance will be the most important drivers of adaptation and coping mechanisms.

There are some models suitable to computerize solution of climate change adaptation. The most used is the Ricardian Analysis of the impact of climate, slightly described below:

Empirical Model Specification

$$V = \sum P_i Q_i \left(X, F, H, Z, G\right) - \sum P_x X \tag{1}$$

where P_i is the price of crops *i,* Q_i output of crop *i,* X a vector of purchased inputs (other than land), F is a vector of climate variables, H is hydrology variable or water flow, Z is a vector of soil variables, G is a vector of economic variables, such as market access and access to capital, and P_X is a vector of input prices. The model assumes that:

- The land values have attained the long-run equilibrium associated with regional climates
- Climate change has shifted the production function for crops and livestock through changes in temperature and rainfall, assuming that adaptation costs are not important
- The farmer has chosen inputs X to maximize net revenues, given the characteristics of the farm and market prices.
- To measure the impact of climate change on agriculture in South Africa, the study used the Ricardian approach, which includes climatic variables through an econometric analysis of cross-

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sectional data (Mendelsohn et al., 1994). This approach has been used extensively in the literature to investigate the relationship between farmland value and climate, soil and other control variables. The Ricardian method's strength is its ability to capture the adaptation responses of farmers. The use of net revenues in the analysis reflects the benefits and costs of implicit adaptation strategies. Following Kurukulasuriya and Mendelsohn (2008), farmland net revenue (V) reflects the net productivity and costs of individual crops and livestock as follows:

- where is the price of crops, is output of crop, X is a vector of purchased inputs (other than land), F is a vector of climatic variables, H is hydrology variable or water flow, Z is a vector of soil variables, G is a vector of economic variables, such as market access and access to capital, and is a vector of input prices. The model assumes that;
- The land values have attained the long-run equilibrium associated with regional climates;
- Climate change has shifted the production function for crops and livestock through changes in temperature and rainfall, assuming that adaptation costs are not important;
- The farmer has chosen inputs X to maximize net revenues, given the characteristics of the farm and market prices. Although the model seems too comprehensive to user friendly but it however provide a mitigation on adaptability on climate change and its impact on the region

Regional Perspective on Infrastructure

Sound infrastructure is a necessary determinant of growth in Southern Africa. Energy, water and sanitation, and meteorology are critical components of regional infrastructure affecting global economic development. Over the period 1995–2005, infrastructure improvements have boosted Southern Africa's growth by 1.2% points per capita per year. This positive growth effect has come almost entirely from the growth of mobile telephonic improvements regardless of the fact that the road network made small contributions. Inadequate power infrastructure has eroded growth more in Southern Africa than in other parts of the continent. If Southern Africa's infrastructure could be improved to the level of the strongest-performing country in Africa (Mauritius), regional per capita growth performance would be boosted by some 3% points.

Infrastructure in the Southern African Development Community (SADC) ranks consistently above the other regions on a range of infrastructure indicators. But in some areas, such as access to household services mainly, water, sanitation and power, the differences between the SADC and the leading region for these indicators, the Economic Community of West African States (ECOWAS), are not significant.

The economic geography of the SADC is challenging and reinforces the importance of adopting a regional approach to infrastructure development. The region is compost of the 15 member countries, 6 are landlocked, 6 have populations below 10 million people, 10 have economies smaller than $10 billion per annum, and several rely on transnational river basins for their water. South Africa is the economic anchor of the region, but half a dozen of the SADC's member states are large or potentially large economies (including Angola, the Democratic Republic of Congo, Mozambique, Tanzania, Zambia, and Zimbabwe).

Knitting these emerging economies closely together and linking them to markets in South Africa would help to create a larger market and greater economic opportunities in the region. The SADC has a well-developed regional road network that is in relatively good condition; almost all corridors, with the exception of Nacala and Lobito, are paved. The north-south corridor is the main trading artery connecting South Africa with landlocked Botswana, the Democratic Republic of Congo, Malawi, Zambia, and Zimbabwe and is the preferred route for sea access. Two corridors run east to west and connect South

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Africa with Namibia through Botswana and Mozambique with Zimbabwe and Malawi. Dar es Salaam serves as an alternative gateway to the sea for Zambia, Malawi, and the Democratic Republic of Congo but is not as heavily used as Durban.

Transport in Southern Africa is the cheapest in Africa, but still more expensive than other developing countries. The trucking industry in Southern Africa is competitive, with lower profit margins than in West and Central Africa. Road transport tariffs are of the order of $0.05 per tonne-kilometre, slightly more expensive than the typical range of $0.01 to $0.04 per tonne-km in much of the rest of the developing world. The implicit velocity of vehicles is 11.6 km per hour, faster than all other regions of Africa but still rather slow. This slow speed has little to do with road infrastructure which is generally of reasonable quality and much to do with administrative barriers such as border and customs clearance processes that keep trucks stationary for extended periods of time.

Regional Ports and Rail Transport

Southern Africa has an extensive railway system; with national systems form a network centered on Durban and offering direct competition to road transport. Railway tariffs are generally set to be competitive with parallel road freight routes. Nevertheless, rail freight often encounters long delays as it moves across borders. A lack of coordination among national rail systems leads to lengthy locomotive interchange periods. The long delays and poor reliability of rail service often diverts freight to the road network. The pressing priority is to improve the performance of national systems to allow them to compete more effectively with road transport, and to play their appropriate role within a multi-modal transport system.

Regional Air Transport

The air transport market in the SADC is the largest in Africa, with a clear hub-and-spoke structure centered on Johannesburg. Air connectivity in the SADC is strong, as nearly all countries have at least one daily flight to Johannesburg. But the fact that South African Airlines remains the dominant player means that the percentage of flights flown under fifth-freedom arrangements (that is, by carriers that are not registered either in the origin or destination country) is lower than in other parts of Africa. The SADC has made relatively little progress toward implementing the Yamoussoukro Decision. Liberalization of the air transport market ranks behind most regions of Africa.

The power transmission network in Southern Africa is rather well developed; it leads the rest of the continent in generation capacity and offers power at relatively low costs. Until the recent power crisis in South Africa, outages were lower than in other regions. But despite the relatively high generation capacity, access to power in the SADC is surprisingly low. With power demand likely to increase by 40% over the next decade, expanding power infrastructure is critical to the region's economic future.

The Southern African Power Pool (SAPP) has already established the principle of regional trade. Further pursuit of such trade could bring substantial benefits, but this depends on the Democratic Republic of Congo's ability to become a hydropower exporter. The SAPP is the most active trader in the region; the actual volumes of power traded are not large. There is tremendous potential to develop trade much further in fact, many countries in the region would be better off if they imported more than half of their power needs. Such regional integration would bring numerous advantages. The region's cost of energy would be reduced by $1.1 billion annually. Most countries would significantly cut their national power development costs, and several smaller countries could substantially reduce their long-run marginal costs

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of power. In addition, regional trade would allow a shift to cleaner energy that would reduce regional carbon emissions by a significant 41 million tons per year. Overall, investments in regional interconnection yield an average rate of return of over 160 percent. But most of these benefits hinge on the development of 7,640 megawatts of cost-effective hydropower in the Democratic Republic of Congo, where a host of technical, financial, and political challenges make this a challenging prospect(Musaba, 2013).

Regional ICT

The SADC offers the best access to ICT services of any regional economic community, but these services are priced high. While the SADC has some roaming arrangements in place (where customers of a mobile operator can use their phones while visiting another country) these have a number of restrictions and limitations, rendering the SADC less advanced than ECOWAS in this regard. The telecommunications market in the SADC has been open to foreign investors since the early 1990s, several large companies dominate the market. Three countries gained access to a submarine cable and several more will be connected through projects that are under way. No landlocked country has been connected as of yet. Creating competition among landing stations is critical to providing affordable service. In order for the benefits of submarine access to spread throughout the region, it is necessary to complete the 5,100 missing kilometers of terrestrial fiber optic network. Associated investments are small and anticipated returns on reducing the price of broadband access relatively high, with payback periods of less than a year.

Regional infrastructure development creates a larger market and greater economic opportunities, and the development of infrastructure is critical for promoting and sustaining regional economic development, trade and investment, and will contributes to poverty eradication and improved social conditions infrastructure sectors that represent 1 percent of regional GDP, but for small countries in the SADC, this burden may be insurmountable. In absolute terms, the largest burden would fall on the Democratic Republic of Congo, which would need to spend $961 million a year over the next decade to deliver the infrastructure assets (mainly power) needed for the region. At $265 million a year, Mozambique's spending needs concentrated in the power sector pale in comparison to the Democratic Republic of Congo's. The Democratic Republic of Congo's regional spending requirement translates to almost 14 percent of GDP, manifestly beyond what the national economy could plausibly deliver without external assistance. A large group of countries will need to spend between 1 and 5 percent of their GDP for regional infrastructure. Even 2 percent of GDP for a country like Zambia might pose an insurmountable challenge. In terms of current infrastructure spending, the Democratic Republic of Congo would need to spend over 190 percent on regional infrastructure for which is an impossible proposition towards regional global infrastructural development (Musaba, 2013).

Challenges Facing Regional Infrastructure's Economic Development

Although infrastructure in the region seems to be advanced compared to other regions, there are however challenges that are prone in addressing the sustainability of regional global development. The following are but some that are of critical concern:

- Insufficient energy supply to serve increased production and to extend access;
- Highly priced, unpredictable transport and logistics services, especially for landlocked states;

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- Lack of low-cost access to information and communications technologies;
- Inadequate meteorological services for effective and efficient planning and management of water resources, energy production, transport services and other climate-sensitive sectors;
- Unacceptably high number of citizens without access to safe drinking water, adequate sanitation and water for irrigation to improve systems for agricultural production which will contribute to food security; and
- Slow response to new tourism trends and opportunities though in South Africa as country, tourism is a booming opportunity as reflected in 2012 by 10.2% increase as compared to more than the 8 339 354 tourists who travelled to the country in 2011 (Statistics South Africa, 2012).

Investment in Infrastructure

Private sector participation in the provision of infrastructure in an environmentally sustainable should be fostered. Key functions of the Infrastructure and Services Directorate:

- Promotion and monitoring the implementation of regional protocols, policies and strategies on energy, transport and communication, tourism and water that contribute to poverty alleviation;
- Development, promotion and harmonization of Energy, Transport and Communications, Tourism and Water policies, strategies, programs and projects;
- Promotion of an enabling environment for investment in infrastructure;
- Promotion of the development of physical and social infrastructures that contributes to poverty alleviation;
- Promotion of capacity building and training programs to enhance regional integration; and
- Promotion of stakeholder participation through, gender mainstreaming and increased private sector investment.

Strategies for Regional Infrastructure Development

The regional Infrastructure Development Master Plan guides development was signed at the SADC Summit in August 2012. The key infrastructure such as road, rail and ports also acts as a framework for planning and cooperation with development partners and the private sector. Infrastructure serves as a key component of the Regional Indicative Strategic Development Plan.

The master plan is to be implemented over three five-year intervals 2012 -2027). This is in line with the SADC Vision 2027, a 15-year implementation horizon for forecasting infrastructure requirements in the region. It is in line with the African Union's Program for Infrastructure Development in Africa (PIDA) and will constitute a key input into the Inter-Regional Infrastructure Master Plan and proposed tripartite Free Trade Area of SADC, the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC).

The Regional Infrastructure Development Master Plan contains ambitious targets, but the SADC region is embarking on the fundamental task of creating an enabling environment by delivering infrastructure requirements by 2027 in order to facilitate the realization of sustainable regional socio-economic development and integration within the framework of the SADC Infrastructure Vision 2027.

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The Potential of Regional Sustainable Development

The development strategy pursued in most of these countries has wrought serious havoc on the environment without necessarily improving the average person's standard of living, despite the region's relatively ample natural resources and most importantly knowledge about the region's environment and its degradation that remains inadequate. In the Southern Africa region the heart of the problem is that the natural resource base of Africa is being degraded and destroyed at a rate which will soon make food and agricultural production un-sustainable. Poverty, coupled with increasing population pressure, is the biggest single cause of this degradation. The rural poor, the overwhelming majority of Africa's citizens, destroy their own environment, not out of ignorance, but simply to survive. Peasant farmers preoccupied with survival over-crop marginal and because there is no alternative employment and no better technologies they can afford. Pastoralists overstock to improve their chances of surviving the next drought. Rural dwellers strip trees and shrubs for fuel wood because they need fuel. In the context of the short-term basic needs of an individual, each decision is rational; in the long-run, the effects are disastrous.

Whereas in South Africa, despite the diversification of the energy systems, clean coal technologies, safe and efficient cooking fuels and appliances, bio-fuels, the pebble bed modular reactor and biomass, energy is still seen as a concern and a challenge to the local industry and the community at large. As early as 2008, Eskom was forced to step up investment in new capacity after power cuts paralyzed the key mining industry. This had been a concern with the earlier forecast of 2007 indicating that Eskom would run out of excess of electricity generation capacity by 2008. From 2011 onwards the energy supply was, and will continue to be seen as a serious concern until sufficient new power stations are built (Mabiza, 2013).

The utility expects to continue trying to catch up until at least 2020 due to lack of investment in new capacity and ageing plants. Eskom's chief officer for customer network business, Erica Johnson, was reported to have said that the company needs to build an additional 20 gigawatts of power by 2020 and 40 gigawatts by 2030 to meet the fast growing countrywide energy demand. Confronted with these real issues of energy supply shortages and the concern over the reduction of carbon emission, Eskom also started looking at renewable energy technologies including hydrogen and fuel cell technology. More than 75% of South African greenhouse gas emissions result from energy generation and notably only 2/3 of populations have access to electricity (Mabiza, 2013).

Investigations in Nigeria have found that the rising demand for fuel wood has not led to greater deforestation or desertification. Far from "overcutting their trees," farmers have been maintaining their tree stocks by planting and by protecting spontaneous seedlings. It is in this regard that SADC supports the implementation of a regional energy market, efficient use of renewable sources of energy, and increased access of rural areas to affordable electricity. This measure is put in place in order to provide sustainable energy crises in the Southern Africa region. Although challenges facing urban migration and its cost of efficiency cannot be addressed alone in terms of energy crises, it is critical to understand the problem faced by land tenure, like many of the other problems besetting the development process in Southern African region. This probably stems from the region's incomplete transition from one mode of production to another. Colonialism attempted to shift the economies of these countries from a precapitalist mode of production (based largely on kinship relations) into a global capitalist mode (based on "commoditized" factors of production whose prices were subject to the forces of supply and demand in a self-regulating market). Though praiseworthy in many ways, these efforts failed notably in the one major area where

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they could have made a real difference in the patterns of land ownership in rural areas. By and large, colonial administrators left the traditional patterns intact, thus introducing a major contradiction into the development process.

While capitalism requires well-established individual property rights, most smallholders in Southern African region have no such rights, even though they have long-standing rights to the use of communal land. Smallholders thus have no "economic assets" in the conventional sense of the term. When one considers the heavy investment that went into producing the polders of the Netherlands or the wheat lands of North America, the disability under which African farmers' labor becomes readily apparent.

Sustainable development in Southern Africa region has focused on the region's severe poverty. Overpopulation has inevitably led to an increase in land fragmentation, over-utilization of agricultural and grazing land, more frequent famines, lower life expectancy, and considerable environmental degradation. By contrast, the renowned agricultural economist, Marquette(1997) and others argue that population growth need not result in such dire consequences. In their view, population growth can promote more intensive agricultural practices and induce more favorable attitudes toward technological and organizational innovation that will not only increase productivity but improve environmental quality as well.

MANAGERIAL IMPLICATIONS WITHIN THE REGION TOWARDS GLOBAL DEVELOPMENT

The institutional development should foster for knowledge in the region for making decisions on regional matters. The policy makers must accumulate valuable information that should be incorporated into a formal analysis of sustainable development. This is necessary to correct the numerous mistakes and provide conventional wisdom to governments in the region; better appreciation of the causes and effects of environmental damage; as well as the costs and benefits of different policy options. In this regard, independent commissions should provide a useful way for governments to draw on technical expertise both within and outside of their countries that can also be instrumental in bringing the results of advanced research to bear on local problems.

Current knowledge of the ecology of tropical forests and grasslands is still rudimentary and thus rich biological resources of these areas and the ways in which humans relate to them is yet to receive as much study as they deserve. Given the shortage of funds and trained personnel in most Southern African region countries, this is an area where bilateral and multilateral assistance could make a real difference. The Convention on Biological Diversity, signed by 153 countries at the 1992 United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro, is correct in insisting that tropical countries be compensated for protecting biological diversity from which others benefit. If such compensation became the order of the day, some of it should be used to finance further study of tropical ecosystems.

Poor countries in the Southern African region could also use international assistance in reforming their environmental laws and in selecting optimal strategies for environmental management. Not enough emphasis has been given to the role of law in alleviating poverty and protecting the environment. Particularly in the area of pollution charges, the experience of developed countries could be invaluable. But countries in the tropics that are being asked to protect biodiversity and genetic resources partly for the benefit of others also need technical assistance in legally defining and protecting their rights regarding these resources.

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Consequently, management strategies must go beyond assessing the impact of individual projects, as this tends to address the symptoms rather than the root causes of environmental problems. Such strategies must pay greater attention to broader issues and recognize intersectorial links and intergenerational concerns. This would entail integrating natural resource management with national economic planning as well as tailoring international assistance to specific aspects of resource conservation. To implement such strategies, African countries must strive to secure broad consensus and support, both nationally and internationally.

Policy Implications and Adaptation Plan on Climate-Related Migration

The impacts of climate change on agricultural output, effective on rural migration exodus, can be expected to have not only direct impacts on rural communities in sort of reduced income and unemployment, but also knock-on effects for rural economies as a whole. This may put considerable strain on rural local governments, which provide services and promote development at a local level. Local municipalities will therefore need to plan and adapt absorbing climate impacts models. The burden on municipalities will increase because of the expected increases in natural disasters, water scarcity and disease, and reduced agricultural production and food security. Rural communities and local municipalities will need to find appropriate and efficient ways of developing resilience to climate change through adaptation measures. These measures will need to be supported at a systemic level, including through intergovernmental finance mechanisms.

Climate change is happening and will carry on. Southern African governments have put little efforts to oppose the climate adverse to agriculture in the more remote parts of countries and to climate-related migration consequently. Urgent measures on policy action and strategies to reduce climate-related migration are to be attended to urgently. In this way, development efforts and programs to reduce poverty will lessen livelihood vulnerability, ultimately reducing the need for families to migrate because of climate change.

The Roles of States and International Assistance

Environmental challenges in Southern Africa diaspora are more complex than the simple model linking environmental degradation to population growth and inappropriate macroeconomic policies indicates. The chapter recommends that in order for policies to succeed

- It must increase people's awareness interest on protecting the environment by involving them directly in the process of reducing poverty and alleviate pressure on natural resources.
- The state can play an important role in promoting sustainable development and improving the environment by setting the correct investment priorities and provide needed infrastructure, services, education. Assist urban areas to focus on providing safe water, collecting and disposing solid waste, and improving the physical layout of congested areas. In the rural areas focus should be on health, education, and basic sanitation, urgent basic services for the present and future urban population is a necessity.
- The state should set environmental standards that are realistic in terms of the country's particular socioeconomic circumstances. For example, setting strict standards for indoor air pollution when most people cannot afford less-polluting energy sources simply makes enforcement impossible.

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- Structural adjustment programs should take place to improve matters, where the governments' lack of commitment has left the situation far from satisfactory and protect most natural resources from excessive use or degradation.
- Avoid nationalization and allow individual property rights than communal property system so as they can use for real collateral against which to borrow for access to the credit needed to invest in improved farm infrastructure.
- Decentralize tax structure in every rural community or locality. Provide autonomy to rural community that will create small villages. The treasury will then be charged with responsibility for national budget.
- Mitigation of automotive greenhouse gas emission since car on the road get doubled every seven years in SA resulting in huge traffic germs in the cities and pollution.
- The social impact of decentralizing economic drive will promote healthy relationship as many will now not migrate to the cities but rather stay in their communities.
- Peace in DRC and economic stability can attract foreign investment and enlighten Central Africa given its location that is surrounded by nine countries. Key measure role is the potential in natural resources and generating energy from hydro power plant supplied by stable Congo River. DR Cconnect to North, East, West and South regions that may results in business opportunities and avoid people from migrating to other countries as this can develop into booming economic opportunities for the Southern Africa region to move fast in order to reap the benefits from global integration.

FURTHER STUDY

Based on the discourse of the chapter the following are recommended for further study:

- Research should be conducted on knowledge about urbanization programs
- Knowledge on urbanization and management planning
- Forestation and environmental sustainability as well as ecology of tropical ecosystem
- Land tenure and agricultural grasslands and social entrepreneurship for job creation
- Environmental laws and urban management and build indigenous knowledge on health skills.
- Capacity on building community programs on natural resource preservation
- Trade development and transport and network of policy makers and practitioners designed for Southern African best knowledge of growth and poverty alleviation
- Regional Infrastructure, bilateral as well as multilateral trade agreements.

CONCLUSION

Migration, whether rural-urban; intra-regional or intercontinental, always responds to the pull of opportunity in the cities to escape poverty. The absence of work opportunities, in both urban and rural areas and high illiteracy continue to deteriorate in the region owing to the failure of development planning to improve living conditions. Southern African region is a region that is worst affected by poverty, wars, civil and political destabilization that has resulted in delaying the developmental progress of the post-

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colonization decades. As a results lack of social policy to tackle social injustice of poverty, inequality, perpetuate poverty in the region and impoverishing impact negatively on people's wellbeing. Adequate implementations of social policies that are tailored for collective public efforts, affecting and protecting the social well-being of the people, through education and health care provision. Habitat, food security, sanitation and infrastructure remain the key strategic issues that need urgent attention. Knowledge about natural resource preservation and mitigation policy towards climate change and adaptation is crucial in the region while ensuring the sustainability of the natural resources and avoid land degradation and deforestation.

Tackle HIV/AIDS prevalence rates, especially in the major labor sending countries Lesotho, Mozambique, Zambia, Malawi, Swaziland, and Zimbabwe and in the labor-receiving countries (Botswana, South Africa) that further creates a nightmare scenario of acute labor shortages in the region. Therefore, governments need to strengthen the democratization process and improve the quality of governance to ensure a greater and more effective participation of the people in politics and development region. Economic restructuring programmes should be seen as engines of drive in improving poor education, health, and malnutrition custom-made for improving the livelihood and fostering better family life. Structural adjustment on foreign debt and corruption are to be prioritized as well as trade agreement bilateral to seek ways in which solutions can be established and international assistance in terms of programmes and projects directed towards job creation for youth to be in place. As well as crafting strategic policies for global migrant integration that is unique for the region's needs.

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KEY TERMS AND DEFINITIONS

Cities: The term cities in this context refers well development areas that rural migrate to for employment and better livelihood. The influx is due to industrialization. Manufacturing and proper facilities such as sanitation, clean water and electricity. The level of development compared to rural becomes reasons for attracting such high level of entrants in cities. Foreign inhabitants from different regions migrate to cities to seek for better lives and run away from poverty levels while they confront hostile welcome by residents.

Global Factors: Global factors relate to factors that affect the economic and Investment opportunities that are causal factors of fundamental effects of economy. The most prominent such as inflation, draught macro perspective levels that affect global downturn on economic issues. They are major determinants of whether a country is developing or developed. It mainly relates to opportunities of infrastructural such as transport, roads, and living standards. In this chapter the emphasis is on global factors affecting the Southern African region and challenges faced. The common understanding of discussions to improve and the sustainability of regional bilateral agreements.

Influx Control: The term refers to measures used to regulate the inflow of black Africans into South Africa's urban areas during the pre-Apartheid and Apartheid eras. First introduced by the Smuts' government, the Native (Black) Urban Areas Act No 21 of 1923 enforced a system of segregation which allowed black Africans access to towns only to serve white labour needs. Domestic workers were allowed to live in town, the rest would be restricted to finding housing in townships on the outskirts. Legislation in 1937 restricted black African males a window of 14 days in which to find employment or return to the reserves. The concept has evolved and currently reflects, given the South African economic development and the inflow migration of African citizens in search for greener pastures in South Africa, the tighten control over employment, providing steeply increased penalties on employers who hire illegal, unregistered workers, and maintained barriers against illegal squatting and lodging.

Infrastructure: Infrastructure is with reference to road and rail infrastructures basically. Infrastructure is considered as backbone of development as most of the southern African capitals and major urban areas still do not have adequate road infrastructure which essentially vehicle and promote economic development.

Municipalities: Simon et al. (2003) refers to policies of local government that are formulated to address the challenges of migrant integration in the region as well as infrastructural dilemmas. Growth of large cities in developing countries are accompanied by an increase in poverty trends that are orchestrated by certain specific realities that confront the smooth running of budget due to pressed burdens of overcrowding as a results of urban dwellers.

Regions: Refer to areas that share common characteristics such as geographical part of a country. In this chapter the term region refers to the Southern African Region where high levels of land, due to high increase in land demand. Rising levels of high levels of land demand in regions becomes degradation, deforestations and poor urban conditions undermining the sustainability of the socio-economic developments of the region. It also refer to all countries that share boarders some are wealthier while others are extremely poor under high political intolerance that causes global migration.

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Urban: The term refers to a location characterized by high human population normally density of population without proper infrastructure, sanitation, extreme poverty, and poor planning putting high pressure to local municipalities. The consequences resulting in slum upgrading and high pressure in city strategic development and competition of scarce resources being compromised. Lack of space capacity in the urban areas also results in municipalities being pressed up by costs that are not budgeted to host the influx of migrants.

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Section 5

Organizational and Social Implications

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Chapter 64
Social Media for Promoting Grassroots Political Movements and Social Change

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ABSTRACT

In light of many recent Internet-led revolutions, the Internet and its tools of social media have been heralded as instrumental in facilitating the uprisings. This chapter provides a close examination of the social media role in grass roots political and social change movements. The chapter discusses the ways activists have used social media tools for organizing and generating awareness of political mobilization and the characteristics of social networking that can be harnessed in a particular cultural and historical context to achieve collective political actions. The chapter also discusses long-established theories of communication to explain how social networking tools became appealing to the activists in these Internet-led movements. The chapter will look at various Internet-led political movements around the globe to demonstrate the enormous potential of social networking tools to facilitate and expedite political mobilization.

INTRODUCTION

Social media is defined as a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0 and that allow the creation and exchange of user-generated content (Kaplan & Haenlein, 2010, p. 61). Social media tools include social networking sites such as Facebook, micro blogging sites like Twitter and Instagram, video sharing sites like YouTube, and image sharing sites such as Flickr and Tumblr. Social media studies are a relatively young but growing field (Kaplan & Haenlein, 2010). In June 2010, 22% of time spent online was spent using social media and blog sites worldwide (Neilson, 2010). Grove (2010) estimated the global average time spent per person on social media sites in 2010 was nearly five and a half hours per month. However, by early 2014 the average time spent on social media sites dropped to 3.6 hours per day (Brendan Butler, 2014).

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The recent Internet-led uprisings have fostered an ongoing dialogue about the role of social networking tools for promoting grassroots political movements and social change (Conover, 2013). Social media is now being considered an undeniable force for good. According to (MacKinnon, 2011), Wael Ghonim, Google executive in Egypt, famously declared right after Egyptian President Hosni Mubarak stepped down in February,, "If you want to liberate a society just give them the Internet" (p.1). The Internet proved to be an effective weapon of the masses against their authoritarian leaders. According to the New York Times, such use of Internet was the 21st-century way to resolve conflict. As (Kristof, 2009) put it, "On one side are government thugs firing bullets and on the other side are young protesters firing tweets" (p. 1). We have also witnessed Twitter revolutions (i.e. different revolutions and protests, all of which were coordinated using Twitter) in which the young tech-savvy generations monopolized the digital gap to challenge their archaic authoritarian governments. Some examples of such revolutions include 2009 Moldova civil unrest,2009 Iranian election protests (also known as Green Revolution),2010 Tunisian revolution (also known as Jasmine Revolution), Egyptian Revolution of 2011, and Euromaidan Revolution of Ukraine in 2013. The initial success of such Internet-led revolutions has brought a great deal of attention to the role of social media and the Internet in fostering grass root political change. Nevertheless, such potential of change is dependent on the extent to which social media and the Internet is (Gibson, 2013).

The Internet-led uprisings in the Middle East (e.g., Egypt) and North Africa (e.g., Libya and Tunisia) brought significant developments in all these countries. Scholars in the academy continue to debate the role of social media in these uprisings. Because these events are recent, available data and analysis about the role of social media and the Internet in grass root political and social change is limited. Prior to such events, research concerned with social media as a vehicle for social change was largely speculative in nature. One key issue is the manner in which social media became the source of information. Meaning, the source of information was ordinary citizens who for the very first time in their history used social media more than mainstream media to react to and even cover the events of political revolutions (Hassan, 2013).

This phenomenon of social networking as a political and social change agent is very significant. We see after centuries a technological innovation used as a tool for change. The social networking tools such as Twitter, Facebook, YouTube, and personal blogs have been used as an insider perspective to the ongoing revolutions. Revolutions can occur without Internet or technology. Revolutions have been taking place before the advent of social media. The advent of social media provided a crucial facilitator role by bringing together distant people and providing gathering real time information. The data about the use of these tools as source of information, a part from their established use for socializing, provides significant evidence of their relevance in mobilizing political movements and bringing change. However, the social media tools can not only be repressed by the governments but also used in their favor. Therefore, a logical analysis of this phenomenon is needed to establish a critical perspective about the history and novelty of this phenomenon of social networking for political and social change.

This chapter aims to understand the connection between technology, society, and political movements through the creation of a network society and analyze the extent to which social media can play a positive role in grassroots political change by analyzing various case studies from different countries. The chapter also discusses the characteristics of social media that can be harnessed in a particular cultural and historical context to achieve collective political actions.

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BACKGROUND

Social Media Tools

Facebook

Facebook, a social network, emerged in 2004 as a way to connect with fellow students. Initially adopted by high school and college students, the social network now has 1.35 billion monthly active users., making it the premiere social media service in the world. If Facebook were a country, it would be the third largest behind China and India. Facebook users interact with other users, or "Facebook friends" by updating their "status", writing on other members "walls" or sending direct personal messages. Users are able to create and join interest groups, 'like' pages, import and search for contacts, and upload photos and videos. The average user is connected to 80 community pages, groups and events. Despite being a US-based product, Facebook users are mostly located outside USA. A crucial aspect of the social media role in various Internet-led uprisings was the use of mobile phones. In this regard it is important to note that in 2011 more than 350 million users of Facebook used their mobile phones to access their accounts (Storck, 2011; Finau, Prasad, Logan, & Cox, 2014).

Twitter

Launched in July 2006, Twitter is a real-time online social networking and microblogging service that has grown to 284 million monthly active users and 500 million Tweets sent per day as of 2014. Users can exchange photos, videos, and communicate via "Tweets" which are short posts limited to 140 characters. Uses can also embed media links in their tweets. Twitter users can "follow" or essentially subscribe to the updates of other users. These other users may include conventional media sources, such as Newsweek, celebrities, and friends. Additionally, tweets can be categorized using "hashtags" (e.g. #egypt) which group posts together by topic or type (Chebib & Sohail, 2011) or user-identified key words that clue readers in to what others think is important. Twitter provides very personal communication where uses choose whom they want to follow. This selection creates a unique experience specific to each user. This unique experience is dependent on various factors related to use of Twitter such as time of Twitter user, frequency to cheek Twitter feeds, the Twitter followers, and the user interface used to access Twitter. Due to this flexibility, norms among Twitter users quickly emerge and fade away (Jenkins, 2010). Since Twitter can be accessed using both computer and mobile phones, it is a lightweight communication tool especially helpful in crisis situation.

YouTube

YouTube was founded in 2005 and provides a forum for the distribution of video content of various types. YouTube was the first website dedicated solely to uploading and sharing personal video. Over 3 billion videos were viewed each day on YouTube, reaching 700 billion playbacks in 2010 and 100 hours of video were uploaded to YouTube every minute in 2014 (YouTube Statistics, 2014). As well as uploading and viewing media, users can also leave comments on videos. In 2014, YouTube was the third most frequented website online (Alexa, 2014).

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Weblogs

Blogs are short form of weblogs. Belong are an easy-to-use content management tools that provides instant addition of content to a website via a web interface. Blogs do not require any programming or technical skills (Wyld, 2007). All you need is Internet access and typing skills. Such easiness of creating blogs has resulted in proliferation of personal blogs globally. In Arab region alone, there were 35,000 active blogs in 2009, growing to 40,000 by 2010 (OpenArab.Net, n.d.).

An average person, with little or no advanced computer skills, can have good success using social media services and independent blogging. This is one reason why these social media services and independent blogging have become attractive for common people. Using social media services and independent blogging, content can be created and accessed with as little as a smartphone; and it can be easily intertwined. Links to videos posted on YouTube can be embedded in blogs, Facebook, and Twitter. A Twitter post can appear on a Facebook page. In other words, large numbers of people can be contacted easily and inexpensively via a variety of services.

Social Media and Communication

International media and academic circles acknowledge the role of social media tools in various political movements. However, there are different opinions regarding effectiveness of these tools in aiding political mobilization and social change. Social media communication has brought politicians and political parties closer to their voters. Politicians can communicate fast and reach citizens in a targeted manner without an intermediate role of mass media. Citizens are using social media to post reactions, feedback, and participate in conversations and debates. Despite increased presence of social media, online political engagement is largely restricted to people who are already political activists online. For example, in most European states, television and newspapers (both offline and online) are still the most important source of political information for citizens. While social media use in some cases has resulted in toppling of authoritative regimes (such as the case of revolution in Egypt and Tunisia) in some cases the similar success was not achieved (such as in case of political uprising in Bahrain and Saudi Arabia) (Reuter & Szakonyi, 2013).

Nature and Benefits of Social Media Communication

Communication using social media tools is different from communication using traditional ways of communication such as TV, newspapers, and radio. First, communication using social media tools is two way communication where use can also respond to messages in real time. Second, receivers of information obtained from social media are not necessarily prone for action. This is even true for people who virtually join group. These uncommitted users of social media can join a Facebook group or follow a twitter feed. Doing so can provide them some anonymity without physically participating in a resolution (Papic & Noonan, 2011).

Communication using social media provides some important benefits for political and social change. Online groups can be trained, recruited, and organized at much less costs (Papic & Noonan, 2011). A large number of users of social media tools makes it easy to convince recruits to find or join another social media site (Greeley, 2011). Findings recruits online is also easy because groups are normally formed around shared causes or interests (Mainwaring, 2011).

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People active online are also likely active group participants. In a study, Pew research center found that 80% of Internet users participated in groups. Participation from social media users was even more active, with 82% of social network sites and 85% users of Twitter participated in group activities (Rainie, Purcell, & Smith, 2011). Uses were more likely to engage in group activities if they fell that their participation can make meaningful difference (Rainie et al., 2011).

In many crisis situation, such as Haiti earthquake or Mumbai attacks, users broadcasted information to a large number of people. This information was not pushed to a specific group of people (Hughes & Palen, 2009). This communication was different from the traditional way of communication using social media. In the context of disaster, such type of communication cane be every important for tactical, emotional, and community building purposes (Palen & Liu, 2007).

Activists who use social media for social change can use them to plan in-real-life and in-virtual-life meetings, keep followers informed about events and news, and gain followers. Social media use can increase users' self-efficacy to join a cause because, in part, their peers' involvement and actions are transparent. It can also be useful by giving an on-the-ground view to people not culturally or physically close to the users.

Social media also lowers traditional socio-economic barriers to commanding the spotlight. You do not have to "be somebody" to "be somebody" on social media. Politicians, governments, and activists all look to tap into the potential of social media. The Internet and social media has reconstituted the construction of social relationships especially among young people. Social media is also producing radical changes in how communication is produced, mediated, and received. Under such circumstances, state power becomes more porous and there is less control. Internet and social media provide a source of political energy that posits a new relationship between the new media technologies, politics, and public life (Giroux, 2009). These digital technologies influence the formation and activities of civil society groups: mobs, movements, and civil society organizations. While mass popular protests are by no means a new phenomenon, digital tools are facilitating their formation (Etling, Faris, & Palfrey, 2010).

Theories of Communication

There exists many established theories of communication, such as Lasswell's functionalist theory of media and Granovetter's theory of weak ties that can be used to explain the use of social media as a vehicle for organization and mobilization of people. Both of these theories are based on sociology and were developed before the advent of social media. Still these theories are adequate to explain why social media was chose as a tool of communication by activists during various Internet led political movements.

Laswell's theory provides an analytical framework for communication that is based on the multi-faceted question "who says what in which channel to whom with what effect?" (Mattelart & Mattelart 1998, p.5). Laswell's framework involves content analysis to provide on objective systematic and quantitative description of the manifest content of communication (Mattelart & Mattelart, 1998). According to Lasswell there are three functions of communication in society; (1) Surveillance of the environment, (2) Correlation of components of society, and (3) Cultural transmission from one generation to the next. Social media has a profound influence on youth outlook, behavior, education, practices etc. as the social media keep on changing and innovating, the youth are influenced and the flow is also the reverse. every time youth acquire new style etc., the media watchdogs would know and update / upload their images, stories etc. they go on looking for new trends so as to keep youth captivated. And, this is rather successful. Although, Lasswell's model is simple and easy, the disadvantage of his model is the lack of feedback.

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Manual Castell's network theory (Castells, 1996) can also be used to explain the important characteristics of social media that are useful for political activism. Social network can help create weak ties, support anonymity provided by the Internet, and provide online communication that is egalitarian in nature. According to Castells (1996), weak ties are useful in providing information and opening up opportunities at a low cost. The advantage of the Internet is that it allows the forging of weak ties with strangers, in an egalitarian pattern of interaction where social characteristics are less influential in framing, or even blocking communication. The strength of a tie is based on a combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie (Granovetter, 1973). Social media networks are based on these weak ties- acquaintances with other people whom one might share common interests or goals with, or may have mutual friends. The strength in weak ties lies in their ability to introduce us to new ideas and new information, and the Internet allows these ties to be forged with incredible speed over vast geographical barriers (Gladwell, 2010).

Granovetter (1973) analyzed the link between micro-level interactions and macro- level patterns in social networks, concluding with the strength of weak ties lies in their potential for diffusion, social mobility, political organization, and social cohesion in general, across different networks. People can have two types of ties with the people around them (such as friends and family). Weak ties are loose acquaintances that one can use e.g. to provide creative ideas or transfer knowledge. Strong ties exist with trusted friends and family. Strong ties can be used by a person for emotional health and join hand for a common cause such as relief efforts in a crisis. Applying Granovetter's theory to political mobilization, gathering of thousands of protesters would not have been possible if activists would have spoken only to their close friends and family. By capitalizing on the weak ties forged online through social networks, such as Facebook and Twitter, the activists were able not only to circulate their calls for political mobilization, but also began a dialogue that fostered the attitude for political activism in communities. A conclusion of Granovetter's study that is germane to the Internet-led movements is that weak ties are more likely to link members of different small groups than are strong ones, which tend to be concentrated within particular groups. Weak ties established online allowed different oppositional factions to connect over a common goal of ousting repressive regimes, and to translate this into political mobilization.

According to Gladwell (2010), weak ties do not help people create social change. What matters most is the extent to which someone is personally connected with the movement to create social change. However, if strong ties are essential for social change and social media does not create those required strong ties, perhaps people have fewer strong ties now than they did previously. McPherson, Smith-Lovin, & Brashears (2004) found three times increase in the number of people who believed there was no one with whom they could discuss important matters. According to findings of McPherson et al. (2004), one important factor affecting people relationships and ties could be the modern technology (e.g. computer and mobile phone). While technology has provided opportunities to network with people across geographical boundaries it has lowered the possibility of face to face communication with people around us such as family, friends, neighbors etc. Usage of internet has even interfered with communication in home. We can see a post familial family where family members spend time interacting with electronic gadgets of communication rather than communicating with each other. This suggests that ubiquity of technology may foster wider, less localized weak ties and not the strong, tightly interconnected confidant ties.

Still we may have use of weak ties generated due to ubiquity of technology. One example is the crisis situations such as Haiti earthquake. Many people who donated money had little or no strong ties with the country. Communication using social media, such as blog post, status updates, and tweets from peers, motivated them to do good deeds. Clearly a network of weak ties generated this awareness and

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motivation to do good deeds. Individuals can have strong positions within a network despite their less strong commitment to a cause. There individual can fill certain rules defined as a result of spread of awareness due to the network of weak ties. A small donation may not make a signification impact on relief efforts but sharing of such donation on social media may attract many to follow the same path and donate (Srinivansan, 2010).

Social Media and Media Culture in the World

In order to understand the significance of social media tools, we must understand the use of social media in the context of media culture in different parts of the world.

According to Lewis (2005), the single most important development is the adoption of modern communications. Though, the world Internet penetration has increased dramatically over the last several years, the technological capabilities of modern life that are taken for granted in highly developed societies, have progressed in a relatively short span of time and have not been embraced by the authoritarian governments that dominate many significant regions of the world (such as Middle East). The rapid development of print and visual media in these regions has made the ruling elite fear the Internet as a conduit for political and moral subversion.

As Internet access has proliferated across these regions, a highly ambivalent and complex relationship between media and governments has developed, in which autocracies have encouraged Internet penetration in the name of economic development, while simultaneously attempting to maintain control over the spread of information and media sources (Khamis & Vaughn, 2011). This complex relationship between increasing Internet accessibility and a complementary increase in suppression of online freedom has led to a culture of subversion, an emerging cyberworld that knows no physical boundaries (Salmon, Fernandez, & Post, 2010) based on online social networking. With a lack of truly independent and representative media, disenfranchised youths have searched for an alternative method of participation in the public and political spheres (Storck, 2011).

CURRENT ISSUES OF SOCIAL MEDIA USE FOR SOCIAL AND POLITICAL CHANGE

Social Media for Political Change

Social media such as Facebook, Twitter and Wikis have become important political tools for citizens in countries with limitations and restrictions on media and freedom of speech (Khondker 2011; Strandberg, 2013; Stromback & Aelst, 2013). Citizens in many countries employ social media sites to voice their opinions, criticize policies, engage with their governments and even expose corrupt practices (Cave 2012; Logan 2012; Swegger, 2013; Thompson, 2013). Social media while primarily used as a social networking platform has become a popular means for citizens to discuss political issues, air dissent against politicians and government policies and even expose government corruption. Social media is thus increasingly playing an important role in how citizens become aware of information, how citizens engage in the political process and even to some extent how governments feel accountable to the public. This is especially so as various regions of the world are undergoing an ICT (Information, Communications and Technology) revolution with a number of major ICT developments. The increased availability of

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internet and mobile access is spurring the use of social media. Cave (2012) finds that ICT, specifically social media, is being used to enhance accountability and transparency by exposing negligence, poor service delivery, and corruption. The Arab spring in the Middle East is an example of the impact of social media in politics (Maghrabi and Salam 2011; Bruns, Highfield & Burgess, 2013; Wolfsfeld, Segev & Sheafer, 2013). Social media played an important role in the Arab Spring by enabling political activists in these countries to air their grievances, organize, and coordinate protests and also to share their plight with the world (Khondker, 2011; Wolfsfeld, 2014). Thus, social media is playing an important role in the facilitation of political change.

Studies that have examined the potential for social media to facilitate political change have largely been conducted in developed countries (Kushin & Yamamoto, 2010), and have produced mixed findings. These studies have examined issues such as social media as a campaign tool by political candidates (Stieglitz et al. 2012) and the offline political effect of online political discussions (Bimber & Copeland, 2013). Some authors argue that social media has significantly changed how democracy is achieved (Shirky 2011). A few studies have cited the example of how social media was able to implement democratic change in the Middle East (Maghrabi and Salam 2011; Howard et al. 2011). Social media has provided a mechanism for public dissent to be communicated. This is especially the case in countries absent of free media, civil society actors, and formal mechanisms for citizens to engage in the political process (Kaplan & Haenlein, 2010; Vaccari et al., 2013). In these countries, information that is published by the media is usually censored and comprises of government propaganda. Social media allows citizens to discuss, share, and communicate issues that are censored from traditional media. Social media also allows citizens to criticize government policies and hold government officials to account. Social media has also been used to expose corruption and engender greater transparency (Cave 2012; Logan 2012).

Issues of Social Media in Grassroots Political Movements

In order to fully evaluate the role of social media tools in the grassroots political movements, four visible issues can be identified: social media as an organizational tool, as an alternative press and outlet for citizen journalism, a tool for generating awareness both regionally and internationally, and social media as a democratic medium.

Social Media as an Organizational Tool

The relative speed at which many Internet-led political uprisings occurred is one of the defining characteristics of these uprisings. In Tunisia, the uprising took 28 days. In Libya, the uprising took roughly 9 months. While in Egypt it took mere 18 days. Effective use of social media networks was central to the acceleration of these uprisings. Social networks provided a form of organizational infrastructure that initially started as virtual networks and finally transposed to the offline networks. Activists of these uprisings successfully capitalized the strengths of social network sites notably "many-to-many" communication capabilities and the speed with which information can be transferred and spread.

In Egypt, Wael Ghonim's Facebook group "We Are All Khaled Said" was created in memory of Khaled Said, a 28-year-old Egyptian from the coastal city of Alexandria, Egypt, who was tortured to death at the hands of two police officers during Egypt uprising. This group served as an organizational platform that attracted like-minded individuals to connect over a common interest to commemorate Khaled Said. This evolved into a common interest in forming an opposition to the Egyptian police force, which

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evolved into a movement to force Mubarak to step down. Activists in Lebanon began to unite with the goal of ousting the sectarian system. These activists managed to reach around 15,000 people through a Facebook group entitled "In favor of ousting the Lebanese sectarian system–towards a secular system." The group was comprised of youth from different sects, regions, and cultural backgrounds (Naim, 2011). However, the sectarian and divided nature of Lebanese youth partisanship rendered it difficult to use social media to mobilize young people through a common goal (Galey, 2011; Srinavasan, 2014). Social media played a different role in Tunisia and Egypt's anti-government protests than in Libya and Yemen. There was not the kind of strong tradition of online activism in Libya and Yemen as there is in other Arab countries (Riley, 2011). In Libya, there was a lack of Internet infrastructure, online access was difficult, and the Gadhafi regime had limited social media. In Yemen, government controls and extreme poverty limited Internet use (Riley, 2011). Unfortunately, in these countries, technological barriers to social media coupled with severe totalitarian regimes stymied reform efforts.

Sandwiched between Romania and Ukraine, Moldova emerged as an independent republic following the collapse of the USSR in 1991. The first widely recognized use of social media as a tool of political revolution occurred in Moldova in 2009. Activists used Facebook, LiveJournal (an electronic diary service/social network), and Twitter to organize protests and bring attention to the political unrest in the former Soviet republic. Interestingly enough, during the protests, Russian- language Tweeters debated the role of social networking tools in organizing the demonstration (Hodge, 2009).

On January 17, 2001, during the impeachment trial of Philippine President Joseph Estrada, loyalists in the Philippine Congress voted to set aside key evidence against him. Less than two hours after the decision, activists, with the help of forwarded text messages, were able to organize a protest at a major crossroads in Manila. Over the next few days, over a million people arrived. The public's ability to coordinate such a massive and rapid response, in which close to seven million text messages were sent that week, so alarmed the country's legislators that they reversed course and allowed the evidence to be presented. The event marked the first time that social media had helped force out a national leader (Shirky, 2011). On January 20, 2011, Estrada resigned.

Not only did social media provided the organizational infrastructure, but also it provided a crucial platform for potential protesters to network with one another and share their common grievances. Once individuals found out that other people would be protesting, they were more likely to join themselves. Eventually, a tipping point occurred, when the protest or activity became self-reinforcing, and increased without further direct organization or action by the leadership (Duncombe, 2011). The spread of communication using social media to offline communities was essential to reach the majority of population that, in many cases, remains offline. Very traditional forms of spreading information such as distributing flyers to citizen on the streets were also used by the activists. Every user was a potential re-broadcaster that broadcasted information to his own real world social network. The conclusion to be drawn here is that successful socio-political movements must be based on grassroots organizational structures. These structures starts offline and use both offline and online organizational tactics. On the must part, social media was a tool for acceleration and facilitation of socio political movement.

Social Media as an Alternative Press

With its low entry barriers, social media tools provide an accessible platform for citizen journalism, defined as the use of digital media tools to report on events on the ground, uploading text and videos directly to the Internet or feeding the information and videos to media outlets (Khamis & Vaughn, 2011)

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.The dialogue taking place via Facebook, Twitter and other social media networks was used by the mainstream media as a source during the height of the protests in various Internet-led political movements. During Egypt uprising, Al-Jazeera relied on reputed bloggers and Twitter users for real-time coverage of events, by using Sharek, a citizen's media platform that received and filtered through submissions by citizen journalists. Though there were obvious accuracy issues related to citizen journalism, the implication for the role of social media within the uprising is that it allowed for those directly involved to shape their own narrative and expose themselves to an international audience. Social media place the tools of documentation and truth-telling into the hands of ordinary citizens, social media networks create linked activists who can contest the narrative- crafting and information-controlling capabilities of authoritarian regimes (Duncombe, 2011).

In the political uprising of Egypt, Twitter was used by activists as a platform of discussions about events happening on the ground. Activists capitalized on Twitter's mobile-phone enabled social media to not only send regular tweet updates but also share other forms of medial such as photographs and videos. These examples aptly demonstrate the role of alternate press played by Twitter users. There user self published their own accounts of the uprising. This self published information served as their own narratives of events exposed to audience at both local and global level. This way social media allowed literally real time following of events by the user across geographical boundaries (Storck, 2011).

Although Tunisia's government practiced some of the most repressive Internet censorship, the country had one of the most connected populations in the region outside the Gulf; 33% of the population was online, 16% on Facebook and 18% using Twitter. Although the Tunisian regime blocked YouTube during the month of unrest, it did not entirely block Internet access, and seasoned cyber activists played bridging roles, re-posting videos and Facebook content about protests from closed loops of private networks to twitter and online news portals with greater reach (Oxford Analytica, 2011). Also, Tunisia witnessed a sudden eight percent surge in the number of Facebook users during the first two weeks of unrest, coupled with a shift in the usage turned from merely social in nature into primarily political (Khaleej Times, 2011).

During uprising in Egypt, the government shut down the Internet. At that time, individuals outside the country came forward and use technology to provide continuous coverage of the events. That helped continue the momentum of the political movement. According to Time Magazine (2011), social media plays a significant role for people outside the borders. These people can use social medial to bring context, understanding, and analysis of the situation. However, this new sphere of citizen journalism have also brought the issues of accuracy and anonymity. Previously unheard individuals have used anonymity provided by Internet to express their dissent without any fear of any backlash from the government. At the same time, there is a possibility that this anonymity can be abused. Take one example of Tom MacMaster, 40, a married U.S. student at the University of Edinburg. He created in February 2011 Amina Abdallah Arraf al Omari, a fictional character or hoax persona. MacMaster presented himself as a Syrian-American blogger, identifying herself as a lesbian on her weblog "A Gay Girl In Damascus" and blogging in support of increased civil and political freedom for Syrians. During the 2011 Syrian uprising, a posting on the blog purportedly by "Amina's" cousin claimed that Amina was abducted on 6 June 2011. The online response in the community, mainstream media, and social networking websites was rapid and extensive. His posts caught the attention of the world amassing thousands of followers and news organizations. On June 12, The Electronic Intifada published evidence for its claims that "Amina" was the product of one or both of husband-wife team Tom MacMaster and Britta Froelicher. McMaster

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initially denied this, but later that day the blog was updated with MacMaster's admission that he was the sole author of the blog.

Social media proponents promoted the technology's role in the Iranian unrest, but a closer look reveals a more complicated picture. Although there was a great deal of excitement about the role of Twitter in Iran after the presidential election evidence indicated that twitter conversation about the Iranian protest occurred mostly among those in the West, and most likely was not used by Iranians to organize. Instead, Twitter and other social media were used to report protest events as they unfolded, replacing the foreign press and also creating international support for the movement (Etling et al., 2010). Research into the Iranian blogosphere showed that political and religious conservatives were no less prominent than regime critics (Etling, Palfrey & Faris, 2009). While the movement was unsuccessful in forcing change, it continued to exist, still using social media as a way to communicate within Iran and with others around the world who are sympathetic to their cause.

In Moldova, word had been spreading rapidly via Twitter and other online networking services. The official media carried no coverage, but accounts, pictures, and video of the rally were appearing in real time on Twitter and YouTube (Mungiu-Pippidi & Munteanu, 2009). Although the protestors failed to prompt a change of leadership or a new election, they got the world to focus on a small, remote country, and digital activism became recognized as a source of political power.

Social Media as a Tool to Generate Awareness

Much attention has been paid to the role that the Internet has played in generating awareness of various Internet-led uprisings. Movements started online were transposed to offline movements where they gained momentum and attention. In Egypt, the majority of Facebook users agreed that Facebook was used most effectively to raise awareness of the causes of the movements within the country (Mourtada & Salem, 2011). Take example of Facebook group "We Are All Khaled Said Khaled". Khaled became the symbol for many Egyptians who dreamed to see their country free of brutality, torture, and ill treatment. This Facebook group quickly attracted more then 500, 000 members. The group spread photos of Khaled's disfigured corpse on the Internet. This Facebook group exploited Facebook to engage users in a powerful cyber activism campaign against an authoritarian government of Egypt. Howard (2010) defines cyberactivism as "the act of using the internet to advance a political cause that is difficult to advance offline," adding that "the goal of such activism is often to create intellectually and emotionally compelling digital artifacts that tell stories of injustice, interpret history, and advocate for particular political outcomes." (p.145). The important difference between cyber activism and mobilization is that mobilization is focused on planning, execution, and facilitation of actions. Cyber activism helps in fostering and promoting civic engagement that in turn results in various forms of civic mobilization. Therefore both concepts are closely interrelated. The use of Facebook group "We are All Khaled Said Khaled" for political motives sparked a new consciousness that provided serious consequences for polities in Egypt and networking capabilities of Facebook.

It was found that those Egyptians who admit to not using social media still vouched for social media as a platform where they could enjoy free expression of political will. This shows a wider change in social consciousness of people who took part in that uprising in Egypt. Egyptian public used online tools to challenge the repressive and corrupt monopolies of power in Egypt (Chebib & Sohail, 2011). A clear and definite shift in attitude towards authorities was observed. It has been argued that this shift in attitude was collective and driven by use of social media. Social media played an important role in for-

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mulating this collective shift in social consciousness. Thus, cyberactivists were able to capitalize on the accelerating effect of social networking online to formulate a social movement that could be transferred to the offline community and then manifested in political action. Many ordinary people not particularly politically active and kept their dissent limited to discussions with friends about their dissatisfaction with the government. However, an important shift took place once they realized via Facebook that this dissatisfaction was manifest in the nation.

A final element to address is the ways in which social media, whether intentionally or unintentionally raised awareness of the ongoing political uprisings in the international community. The need for social networking tools to continue political mobilization was made evident when Western corporations Google and Twitter teamed together to offer "Speak2Tweet" services after President Mubarak shut down Internet access across the nation. The involvement of powerful non-state, transnational actors in the domestic politics was very significant for activists who were able to continue their plight against the state.

US government recognized the role of new media as a source of information in authoritative states when US Secretory of State Hillary Clinton issued a request to twitter and asked to delay a planned site maintenance. This request came in the wake of protests in Iran against controversial presidential elections of 2009. The delay in twitter's site maintenance was meant to provide Iranian protestors an opportunity to communicate via social network. It also allowed US government to access information from Iran, where US had no official diplomatic presence for last three decades (McElroy, 2009). Thus. Social media acted as a significant source of information for both civilians and governments.

Social Media as Democratic Medium

Globalization affects different stakeholders in different ways. In a similar fashion, Internet stimulates different users in different ways. The two states may react in entirely different ways to the use of Internet as a pro-democracy-tool (Morozov, 2011). Activists in Tunisia and Egypt were apparently able to exploit the benefits of social media. However activists in Bahrain and Saudi Arabia, in an attempt to replicate the same strategies, were not able to reap the same benefits of social media.

Egypt is one example of social media use to voice political dissent. In 2009, Iranian protestors initiated the green movement in which Twitter was used as a forum to register their protest against the controversial presidential elections. The use of social media by green movement to spread democratic sentiment was lauded by US and other western governments. This was because it fit nicely with motives and policies of western governments. However, in the after math of Iranian presidential elections, green movements lost its momentum and quickly faded into the background. Barack Obama made history in 2008 presidential elections of USA. He was the first presidential candidate to effectively use social media as a major campaign strategy. Given how ubiquitous social media is today, interacting with people on social media (such as sending voting reminders on Twitter) was a big deal in 2008. On the announcement of Obama's candidacy in 2007, Twitter had only just started and there wasn't even an iPhone yet. Four years later in 2012, the number of American adults who used social media increased from 37% to 69%. In 2012, 66% of American social media users were actively engaged in political activism online. This population was estimated to be the equivalent of 39% of all American adults. In 2008, McCain's campaign was as social-media-deaf as Obama's was social-media-savvy. While the Republican candidate Romney's campaign tried to replicate the 2008 success story of Obama, they did not achieve the traction that the Democrats did (Mejova, Srinivasan, & Boynton, 2013). Obama dominated the social media space

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because his team got how networks work. The real power of social media is not in the number of posts or Tweets but in user engagement measured by content spreadability. For example, Obama logged twice as many Facebook "Likes" and nearly 20 times as many re-tweets as Romney. With his existing social media base and spreadable content, Obama had far superior reach (Pamela Rutledge, 2013; Graber & Dunaway, 2014, Gulati & Williams, 2013).

In 2014, more than 200 Nigerian schoolgirls were kidnapped from their boarding school by armed Islamist militants. The event became an issue of international importance, with a $300,000 (£177,000) cash reward offered to anyone who could help locate and rescue the girls. Social media played a pivotal role in forcing the issue onto the agenda of world leaders. Hundreds of thousands of people (including the first lady Michelle Obama) posted images of themselves holding pieces of paper with the #BringBackOurGirls hashtag written on it on Facebook, Instagram and Twitter (Collins, 2014). But the attention of the world outside Nigeria soon faded. Journalists moved on to other stories; the hashtag stopped trending, a reflection that social media is failing. As the New Yorker's Naunihal Singh put it, "a viral hashtag, it seems, is a fever that breaks quickly." (Gary Nauer, 2014, p.1).

Trayvon Martin, a 17-year-old kid from Miami, was shot and killed by a neighborhood watch volunteer in Sanford, Florida on February 26, 2012. A massive social media campaign started against the killing of Martin. On Twitter, there had been more than 600,000 mentions of the case. A single "Justice for Trayvon Martin" Facebook page was created and brought in more than 82,000 "likes" alone (Gray, 2012). On August 14, Obama spoke to the nation, urging both law enforcement officers and protesters to take a step back and think. On August 9, 2014, Brown, 18 and unarmed, was shot to death by a Ferguson police officer. By the next day, it was national news, reported by every major news outlet across the United States. The story skipped over classic media filters and, in some ways, the public was driving the story through social media, and the media was following public cues. It took less than a week for Brown's death to go from the streets of suburban Missouri to the White House. That speaks volumes about the shifting dynamics in how these stories are told. In big part, this was due to a group of media-savvy, grassroots organizers that arose after the failures of the media response in 2012 and the shooting of Oscar Grant in Oakland, California, in 2009. The Million Hoodies Movement for Justice was established in March 2012, immediately after Martin's death became national news (Elijah Wolfson, 2014). These examples are a clear proof of the fact that to sustain online activism and to transform it into an offline reality is a difficult proposition (Afouxenidis, 2014; Anduiza, Cristancho, & Sabucedo, 2013; Ceron, Curini, Iacus, & Porro, 2014; Enjolras, Steen-Johnsen, & Wollebæk, 2013; Lim, 2013).

In another case, we witnessed the use of networking capabilities of social media in 2011 London roots where police officers used social media extensively to communicate with each other and to get information from public about the riots. In fact, we also see similarities between London riots and Egyptian uprising. Besides the use of social media both were triggered by the unjustified death of a young man. In addition, in both scenarios the governments made efforts to shut down access to social media tools. The Egyptian government implemented a full nationwide Internet blackout. In UK, the government vowed to do whatever it takes to end the unrest, including blocking access to social media sites (Halliday, 2011). This comparison shows that context is very important when it comes to judge the potential of social media and Internet as force for good. In the case of Egypt the use of social media and Internet by activists was landed by western governments as a force to promote and entrench democracy. However in the case of London, the same tools were treated by western governments as foes when used to fuel civil unrest in London.

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It is also important to note that the Internet cannot be considered as a universal remedy for all political ills, especially regarding authoritarian regimes. Internet is a tool without a handle (Morozov, 2012). While Internet possess enormous liberating potential, harnessing this potential and translating it into political reality is a much harder task to accomplish. Different contexts give rise to different problems and thus need custom-made solutions and strategies. In Egypt, social media did play a role in organizing the protests and bringing to the attention of the international community, voices that had previously not been given a platform for dissent.

However, many years after revolution, chaos and protest continued in Egypt. The young Egyptian activists were upset by the results of the poll. Their political imagination and demands were not reflected in the polls. This situation echoed concerns of people that many deep rooted political and economic issues were behind the civic unrest in Egypt. Internet and social media played an important role in strengthening pro-democracy movement. However, it would be a mistake to think that Internet and social media alone can solve these issues.

Social Media and Social Change

Social media has significantly altered communication. This change has brought significant media attention in the recent past. Notably the Mumbai attacks, the Iranian presidential election protects in 2009, and the Haiti earthquake were situations where communication was significantly facilitated by social media. Using social media tools, people can connect and unite in a crisis situation, raise global awareness of an issue, and usurp authoritarian governments. Social media tools can provide can be provide night information at the right time e.g. location of a hospital for people injured in an accident. The awareness of a cause generated by social media can be used to raise funds for the cause. Using social media everyone can be a journalist (Finau, Prasad, Logan, & Cox, 2014).

However, transparent nature of communication using social media can also be dangerous as rumors can quickly spread on social media. For example, criminals can use social media to observe police activity by spreading false rumors. Additionally, though social media can increase awareness of an issue we cannot say for sure whether social media actually puts people in action.

There are other issues involved in the use of social media for social change. One such issue is the ability of social media companies to handle crisis situations. Twitter was praised after they delayed a schedule site maintenance activity on the request of US Department of State. The purpose of this delay was to avoid interruption of communication in Iran during protests on presidential election. However, Facebook faced severe criticism on their real name policy. This real name policy forced activists to use their real name on their Facebook accounts. Violations could result in account deletion even if non-use of real name was for safety propose.

Many believe that social change can be facilitated through new ways of communication provided by social media. Twitter co-founder Biz Stone thought that social media lowers the barriers for activism. Still many believe that social media has little role in creating social changes and real social change come from people on the ground. According to Gladwell (2010) online social networks creates only weak ties that are not sufficient for actual action. Gladwell argued that online social media communication tools have been given unnecessary importance for their role in creating social change and the role of communication itself to create social change has been under emphasized. According to Gladwell (2010), "Where activists were once defined by their causes, they are now defined by their tools" (p. 2). Shirky (2009) argues that the way social media changed the communication significantly impacted the way people

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create change: "Group action gives human society its particular character, and anything that changes the way groups get things done will affect society as a whole" (Shirky, 2009, p. 23). So, while there is no doubt that people are using social media for communication, has it produced significant changes in the way social changes is created by activists?

Studies suggest that social media usage is context dependent (Kaplan & Haenlein, 2010; Shirky 2011). Furthermore, rapid ICT developments in many regions of the world suggest that the use of social media in these regions will increase. Social media could thus play a significant role in the political, social, and economic development of countries.

Issues of Social Media Use for Social Change

In order fully evaluate the role of social media tools for bringing social change; following visible issues can be identified.

Motivating Action for Social Change

Social change requires a lot of work. To be effective, revolutions requires organization, funding, and support from masses (Papic & Noonan, 2011). Even a well organization revaluation need to go through an activist process of social transformation. This process includes information acquisition, knowledge development, transfer and sharing; ideation and thought leadership; empathy and emotional connection; and the spread of credible ideas that inspire cognitive dissonance (Leggio, 2008).

To motivate social change, a mass appeal is needed. People need to be convinced that their participation will make a difference. This convincing is especially important if people participation involves experience of personal discomfort. This task is not small and becomes very complicated in case of large groups (such as the ones involved in a political protest). In case of large groups, contribution made to the action of each individual member of group has no discernable impact on the overall success of the group. A rational person will not bear the cost of participation in the group (such as individual's time) knowing that he/she will enjoy the public good even if he/she do not make a meaningful participation in the group (Finkel & Muller, 1989).

Gladwell (2010) argues that communication tools, used by people, are often overemphasized for their role in bringing social change. The people behind social change are often underemphasized. Regardless of the tools used for planning and organizing social change, same basic principles of motivation must be applied to bring change. Social media tools can make the task of communication easier but the same tools cannot help much in convincing the people to participate especially when participation involves personal risks.

The Influence of the Media

Social media tools have been praised for the ability to reach many people, but the transition from reach to action is debated. The argument over whether or not the media influences social change is not new. Lazarsfeld & Merton (2000) argued that the mass media could cause audiences to become knowledgeable about a subject, but take no action. They argued that media create no social change, but instead works to enforce existing social values. To understand this argument one need to analyze the overabundance of information streaming on social media. For example, a Twitter feed can possibly provide an individual

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a false sense of understating rather than bring this individual towards action. For example, people might learn on Twitter about the killing of a protestor in Iran but not be compelled to join the protest because of the feeling that they are already involved.

Today people see abundant information on many things happening around them. In this case, prioritization of attention becomes a difficult task. According to (ReadWrite, 2009), the question arises "How does an Internet junkie, news organization, or political operative monitor rapidly evolving real-time events, from the crucial details to the bigger picture? More importantly, how can a data stream be turned into real-time action, reaching the people who need it, when they need it, and in a form they can easily digest?" (p.1). In this regard, social media is different from traditional channels of communication (such as TV and newspapers) because there is no editor on social media. This is good because social media can give voice to those who many not otherwise have one. However, those voice many be combined unreliable.

Cultural Differences in Social Media Use

Cultural difference exists, across countries, in the use of social media tools. These cultural differences profoundly impact the way people use social media. According to Sheedy (2011), cultural differences can affect communication from five aspects. These aspects include design language, language subtitles, Internet performance, and face and avatars. Due to their cultural differences, people use social media differently. While Facebook may consider all Facebook friends equal, many cultures have different expectation for different relationship. Such different anticipations can cause different perceptions of strength of social media and change the way different cultures may use social media for social change.

Legitimacy of Social Media

The wide reaching broadcast provided by social media is one strong factor why social media is preferred to disseminate information in a crisis. For example, Al Jazeera English, which offers coverage of the Middle East, often when no other media will or can, is not carried by any major American cable or satellite companies (Rich, 2011). In this case, the social media presence of Al Jazeera becomes indispensable to get real-time information about a crisis in the Middle East. Transparent form of communication, provided by social media, is changing the way people receive and interact with news and information, but one that is only now being seen as legitimate.

The Digital Divide

The digital divide refers to the potential for a divide between those connected to the Internet and those not connected, sometimes worded as the divide between the information have's and have's not (Steyaert, 2002). Digital divide is one significant challenge in using social media for social change. A large digital divide severely limits the social media use for social change.

Policy Implications

Today social media sites, such as Facebook, Twitter and YouTube provide vast amount of shared information. Much of this information is provided by citizens acting as journalist. The content provided by these citizen journalist cannot be hold to ethical standard of traditional journalists. For years, privacy

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concerns have been on the center stage of the debate concerning social media use. As social media has become more integrated into people communication, more complex issue have arisen (Madrigal, 2011).

US Secretary of State Hillary Clinton's historic speech in January 2010 on internet freedom was celebrated as an unequivocal policy statement on global free speech and expression. Hillary Clinton said, "New technologies do not take sides in the struggle for freedom and progress but the United States does (Yee, 2011, p.1). This statement reiterates the point made by Gladwell that we tend to personify social media tools instead of actions (Gladwell, 2010). It also raises important questions about the regulation of social media. Social media platforms do offer constitutional protections such as freedom of expression (Greeley, 2011). These platforms are also used worldwide. The questions arises as to which country's rule should be followed when the social media platform developed in Country A is used a user in Country B?

Another question that concerns use of social media for social change is that who has a right to have a social media presence. Obviously, any use of social media for threatening or abusive purposes cannot be allowed. However, who is going to decide the rules to determine what constitutes an unacceptable behavior on social media platforms? Some social media platforms follow non-transparent policies on the issue of deleting accounts. That makes the issue complicated. For example, Facebook removes a user's account if another user "report" an abuse. In case a user account is removed, Facebook makes no contact with the removed user. The only option available to the removed user is to send an email to disabled@facebook.com with a reinstatement request (York, 2010).

Such policies of social media sites can have serious consequences for activists using social media for social change. The opposition can easily have an activist's Facebook account removed if they don't approve the activist organizing event and relaying messages. This way, the source of information could be cut off and group would be forced to find another way of communication. Facebook's real name policy also caused a stir when Facebook disabled the account of popular Chinese blogger and activist Michael Anti because he was not using his legal name, Zhao Jing (Tran, 2011). For activists, this real name policy brings serious threats to their secrecy, privacy, and the revolutions that organize. This is because the transparent nature of social media communication allows governments to see what activists are doing and take action against them if they deem necessary. Even social media platforms providers can turn against individuals if they feel that the content posted is inappropriate. As an example, Twitter suspended the account of Guy Adams, a British journalist, who criticized NBC's Olympics coverage. Adams encouraged his followers to email an NBC executive and express their disappointment. Adams also took a step further: He included the email of Gary Zenkel, the president of NBC Olympics. Twitter suspended Guy's account by saying "Your Twitter account has been suspended for posting an individual's private information such as private email address." After getting his account suspended, Guy responded by saying that he found Zenkel's email address on Google where it was publicly available. Later on, Twitter reinstated Guy's account. Twitter acknowledged it had flunked the situation by actively reporting the offending tweet to NBC, with which it had been working in partnership for the Olympics (Mott, 2012).

Other social media platforms, such as Twitter, YouTube, and LinkedIn do not offer account verification and do not follow strict real name policies. LinkedIn policy says "Create a user profile for anyone other than a natural person" (LinkedIn, n.d.). This creates different problems for activists— one cannot be sure that people are who they say they are. The similar confusion was caused during Green Movement in Iran when rumors of government impersonating activists were spread on social media.

In some cases, social media platforms may be asked by governments or law enforcement to turn over some user information or to help identify criminals. Facebook hasn't implemented special tools or processes for activists. According to Facebook's Chief Security Officer Joe Sullivan "We get requests

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all the time in a few different contexts where people would like to impersonate someone else. Police wanting to go undercover or human rights activists, say. And we, just based on our core mission and core product, don't want to allow that. That's just not what Facebook is. Facebook is a place where people connect with real people in their lives using their real identities (Madrigal, 2011, p.3). Twitter attempts to notify users if they have to release any records or information about them. As Biz Stone, co-founder of Twitter, stated "Our goal is to instantly connect people everywhere to what is most meaningful to them. For this to happen, freedom of expression is essential."…"Our position on freedom of expression carries with it a mandate to protect our users' right to speak freely and preserve their ability to contest having their private information revealed.". "While we may need to release information as required by law, we try to notify Twitter users before handing over their information whenever we can so they have a fair chance to fight the request if they so choose" (Stone, 2011, p.1).

RECOMMENDATIONS/IMPLICATIONS FOR EDUCATION, CIVIC ENGAGEMENT, SOCIAL PRACTICE, AND POLICY

As civil unrest continues, Twitter remains an outlet for citizen journalism, while protesters continue their struggle for political legitimacy. Change in political culture undergoes a lengthy and challenging process and history suggests that f change cannot be expected with one year of the start of the political movement for change. Undoubtedly, the use of social media and Internet have accelerated aspects of social change and revolution. However, the capabilities of social media and Internet for a long term change are yet to be demonstrated. Perhaps the most important and successful contribution of social media is that it has allowed a more independent press to flourish. One of the essential corollaries of a democratic society is an independent and transparent media. Social media has played a key role of a watch dug on repressive governments (Iskander, 2011). Therefore, social media can be regarded as important tools for political protest. However, social media cannot be treated as a form of social activism that is not dependent on the individuals who use social media. The use of social media is an example of how speeches, articles, images, and documents are constantly being recorded and placed online to create an accessible archive of information. This has a cathartic effect for a society that has operated under oppression and censorship (Iskander, 2011).

Following are some of the recommendations for using social media as a political and social change agent.

First, we should remember that there were people behind the social media tools used for social change. However, credit is generally given to the tools used for political and social change and not the people behind them. Social media tools can be used to raise awareness, appeal masses, rise funding, and bring people together. However, to personify these tool mean that we underestimate the participation costs and risks that activists bear.

Second, the best social media tools can do is to raise world awareness of an issue and we witnessed that in the case of uprisings in Egypt, Tunisia, Iran, Ukraine etc. Perhaps the most significant impact of online protests was that rest of the world got to know a view from the ground. This impact was evident in case of fund raising for Haiti earthquake victims and raising world awareness of the protests on Iranian presidential election.

Third, social media tools allow users to help each other, regardless of location and this potential of social media tools should be leveraged to its maximum possible extent. During Mumbai attacks of 2008,

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people used social media to get help to needy people and provide information to each other. In Egypt, social media helped protesters exchange information about possible dangers and to get medical help to people in need. Nevertheless people's ability to help each other using social media was not limited by geographical boundaries. People in many countries actively observed the revolution in Egypt and helped activists in different ways. People set up proxies, hacked government website, and raised awareness about the cause of Egyptian activists. Additionally, this increased awareness can work to incite politicians. Politicians can become more vocal and open with their reaction to revolution and situation they witness on social media.

Fourth, social media use for political and social change can be dangerous and therefore activists must consider this when planning to use social media tools in their movements. It is clear that many policies of social media sites, such as real name policy, are in direct conflict with the interests of activists. These policies pose great dangers to activists as governments can use social media to spy on, misinform, or incriminate activists. Social media use in Egypt helped bring massive organizing and action. It may appear that use of online tools, such as social media, to bring social change is not dangerous However, that doesn't seem to be true. In Egypt, post-Mubarak era was even more dangerous for activists using social media. New York Times on April 11, 2011 reported that a young Egyptian blogger Maikel Nabi was sentenced to there years in jail. The reason behind the sentence was a blog written by Nabi, describing Egyptian army's abuse of female detainees. The evidence presented in the court against Nabi included screen shots of his personal Facebook page and blog (Robert Mackey, 2011). The situation may be even worse in other countries. According to Facebook's Chief of Security Joe Sullivan, "When you step back and think about how Internet traffic is routed around the world, an astonishing amount is susceptible to government access" (Madrigal, 2011, p.3). Therefore, social media must not be mistaken as either a perfect method for social change communication or a trend that will quickly pass.

GAPS IN EXISTING RESEARCH

One important aspect of Internet-led revolutions is that the costs of organizing are lowering and allowing decentralized forces of ordinary people actually push revolution. However, such organizations have slim chances of becoming long lasting structures, which, for example, can become political parties after the revolution.

Visionaries such as Manuel Castells (Castells, 2009) and Marshall McLuhan (McLuhan, 2001) predicted the transformative convergence of media and technology on society. However, at least taking the Egyptian Revolution as example, the factors of organizational presence, boots on the ground, community outreach and face to face interactions are crucial factors in creating and sustaining social change-- still more important than the magic of networking and social media, or leaderless protest movements spurred by technology. The Muslim Brotherhood came late to the revolution, was relatively unskilled at the use of social media in comparison to the young protestors of the Arab street, but nevertheless has been able to grasp the reins of government in Egypt.

According to Manuel Castells conceptualization of network configurations, new political movements allow previously disconnected, undeveloped political identities to take shape and rise to a prominent position. This is particularly applicable to those countries where religions and ethnic divides previously prevented networking. For example, many Arab regimes banned the creation of political parties and limited the right to associate or create civil rights groups. Social media helped such groups discover

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one another and break the psychological barrier of fear between them. In Tunisia, conversations about liberty, democracy and revolution on blogs and on twitter often immediately preceded mass protests. According to Rosenberg (2011) social media has three uses: It is an efficient and cheap way to give members information. It also conveys to members the highly motivating realization that they have big numbers so that they feel more excited and less fearful than people unaware they are part of a very big group. And it is an efficient way to transfer skills and information.

According to Shirky (2011) "The more promising way to think about social media is as long-term tools that can strengthen civil society and the public sphere" and "social media can compensate for the disadvantages of undisciplined groups by reducing the costs of coordination" (, p.2). The anti-Estrada movement in the Philippines used the ease of sending and forwarding text messages to organize a massive group with no need (and no time) for standard managerial control. As a result, larger, looser groups can now take on some kinds of coordinated action, such as protest movements and public media campaigns that were previously reserved for formal organizations. For political movements, one of the main forms of coordination is what the military calls "shared awareness," the ability of each member of a group to not only understand the situation at hand but also understand that everyone else does, too. Social media increase shared awareness by propagating messages through social networks. The anti-Aznar protests in Spain gained momentum so quickly precisely because the millions of people spreading the message were not part of a hierarchical organization (Shirky, 2011). While the state can shut down easily the unorthodox tools, shutting down tools in broad use involve risk of politicizing a large number of people who were not active politically before. Another impact of shutting down such tools is that it draws external attention from citizens and governments outside the country or the region to that country or region to the place that is experiencing protest or conflict. The real threat of this attention is the external reaction that authoritarian governments will have to face.

The rise of social media in this latest wave of political mayhem has brought considerable criticism from political theorists and social scientists. The critics argue that techno utopians overstate what the technology can do and understand the conditions for use of technology. There are, broadly speaking, two arguments against the idea that social media will make a difference in national politics and social fabric of the society. The first is that the tools are themselves ineffective, and the second is that they produce as much harm to democratization as good, because repressive governments are becoming better at using these tools to suppress dissent. The critique of ineffectiveness, most recently offered by Malcolm Gladwell in The New Yorker, concentrates on examples of what has been termed "slacktivism," whereby casual participants seek social change through low-cost activities, such as joining Facebook's "Save Darfur" group, that are long on bumper-sticker sentiment and short on any useful action. According to Gladwell (2010), "platforms of social media are built around weak ties. Social networks are effective at increasing participation—by lessening the level of motivation that participation requires." (p. 3). In his point of view, the type of relationships created by use of social media were not conducive to the sustained, hierarchical, and high-risk behavior needed to make real social change. The second critique of social media as tools for political improvement points to the fact that the state is gaining increasingly sophisticated means of monitoring, interdicting, or co-opting these tools. The use of social media is just as likely to strengthen authoritarian regimes as it is to weaken them. For example, the Chinese government has spent considerable effort perfecting several systems for controlling political threats from social media (Shirky, 2011).

Social media tools suffer from one significant weakness. Using these tools to bring political change require people to have close personal connection to bring an action. This is especially true if the action

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is risky and difficult. We see many successful examples of the use of social media tools for political change. However, we also see many examples where activists failed to achieve the desired political results e.g. the political movement of Belarus in March 2006. The movement was against the allegedly rigged election of President Aleksandr Lukashenko. The movement first swelled, then faltered, leaving Lukashenko more determined than ever to control social media. During the June 2009 uprising of the Green Movement in Iran, activists used every possible technological coordinating tool to protest the controversial presidential election. The movement ultimately brought to heel by a violent crackdown. In the Red Shirt movement of Thailand in 2010, the social media savvy activists occupied the downtown Bangkok. Again, the movement ultimately brought to heel by a violent crackdown, killing dozens. The structure of social media tools also puts limits on political activism. Take example of Twitter. "There are so many messages streaming through at any moment that any single entry is unlikely to break through the din, and the limit of 140 characters -- part of the service's charm and the secret of its success -- militates against sustained argument and nuance." (Etling et al., 2009, p.2)

FUTURE RESEARCH AREAS

The Internet-led revolutions raise questions about whether citizen journalism is activism and whether participants can be journalists. The fact that social media users do not have to be vetted or held to ethical standards is both a problem and a blessing. An area that needs further research is how the rules of social media will be established and how they will be embraced by the next generation of social media users, both in crises and times that are more peaceful.

A further study of the use of social media in politics post-uprising could investigate the role of social networking in establishing new political parties or civil society groups, a process that has proven itself the main obstacle to protesters gaining political legitimacy.

While it is established that the social media strengthen a political movement and bring social change it is still unclear whether social media is more empowering to leadership or the supporters of a movement. This is a research area that needs further investigation.

While the number of social media users is increasing still, there is a large number of people who don't use social media. If social media becomes the only successful mechanism to cause social change, what happens to those who do not have access to social media? This question is very important for future uses of social media in politics and needs further investigation.

Another area that needs to be researched is the relative preference of cyber activism and conventional political activism in bringing the social and political change. Should we consider cyber-activism a lesser/inferior form of activism, compared to physical on-the-street type of political activism? The answer to this question is crucial for the future role of social media as a political and social change agent.

CONCLUSION

The advent of technology and the rise of social media are changing the political landscape around the world. Social media is empowering citizens to voice their opinions, participate in the political process, and allowing some governments to engage with citizens in a more responsive and interactive manner.

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The role and power of social media in political and social change is just beginning. Social media has the potential to transform national political processes, to foster greater engagement with Governments, to develop new forms of enhanced transparency, democracy and accountability and usher in an era of political change.

The debate over whether or not the emergence of social media has changed the way people communicate for political and social change has received heightened attention.

This chapter examined use of social media in several recent cases that received worldwide attention. By analyzing the way the activists utilized the tools of social media through established theories of communication, one can see how the inherent characteristics of social media and the Internet were able to foster the necessary requirements for collective action. However, despite its success in organizing the uprisings, it would seem from the current situation in various cases that social media has been less useful in translating the needs and demands of protesters into political reality.

Several key issues related to the use and role of social media for political and social change were discussed. Though there is a range of opinion as to how influential social media was in generating political mobilization in various Internet-led political movements, it is argued that its main roles were in providing an organizational infrastructure, as a form of alternative press, and as generating awareness both domestically and internationally of the ongoing revolution. Social media tools are often personified, but for political and social change to occur there must be people behind the tools.

Social media can increase world awareness of an issue and allows people to help each other regardless of location. Social media can help start the change process but to make change happen is a task much harder than imagined. When analyzing the role of Internet in political activism it is important to know what the history tells us. A review of history tells us that behind any political activism there have always been people willing to decide that its time to stand up to the powers and publicly voice the dissent despite risk of imprisonment, death or torture. Protests, when effective, are the end of a process, rather than a replacement for it. Political freedom has to be accompanied by a society literate enough and densely connected enough to discuss the issues presented to the public. The cyber-verse gives no side a decisive, unassailable advantage. For groups that have felt powerless against repressive regimes, social media's technological leveling of the political playing field provides one of the most important components of any successful revolution – hope.

The founders of Facebook, Twitter, and YouTube did not create their products with the intent of starting revolutions and ousting repressive regimes. They probably never thought of playing a role in the revolution by providing their products as vehicles for change. The people behind the revolution were the ones that initiated the idea of revolution and chose their tools / medium of communication for the revolution. Irrespective of the choice of tools/medium of communication, the ultimate strength of a movement is determined by the will for activism.

For all that it does, social media is no "silver bullet" when it comes to political and social change. The use of social media tools does not have a single predetermined outcome. Therefore, attempts to outline their effects on political and social action are too often reduced to conflicting anecdotes. Social media has limited impact at best on an important factor affecting nascent revolutions – a regime's willingness to use force to squelch protests.

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A way forward for the Internet-led movements for political and social change in repressive regimes is to gain influence to the extent that they are able to avoid the scrutiny and controls of the state. A challenge for improving their prospects in closed societies that must rely on decentralized networks is to adapt, emulate, and transfer the benefits of highly organized civil society groups. It is important because in repressive regimes bottom-up decentralized organizing is more likely to survive.

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KEY TERMS AND DEFINITIONS

Citizen Journalism: It refers to the gathering, writing, editing, production and distribution of news and information by people not trained as professional journalists. Source:http://www2.uncp.edu/home/acurtis/Courses/ResourcesForCourses/Journalism/CitizenJournalism.html.

Civic Engagement: Civic engagement refers to promoting quality of community life through both political and non-political processes. Sources: http://www.nytimes.com/ref/college/collegespecial2/coll_aascu_defi.html.

Cyberactivism: It refers to the use of e-mail, blogs and social networking sites to publicize a cause by disseminating information quickly that is unavailable through traditional news sources. Sources: http://www.pcmag.com/encyclopedia/term/63075/cyberactivism.

Social Change: It refers to the transformation of culture and social institutions over time. Source: http://education-portal.com/academy/lesson/what-is-social-change-forms-definition-quiz.html.

Social Media: Social media refers to the collection of online communication channels dedicated to community-based input, interaction, content-sharing and collaboration. Source: http://whatis.techtarget.com/definition/social-media.

Social Policy: It refers to an interdisciplinary and applied subject concerned with the analysis of societies' responses to social need. Source: http://www.lse.ac.uk/socialPolicy/aboutUs/introduction.aspx.

Social Practice: Social practice is a theory within psychology that seeks to determine the link between practice and context within social situations. Source: http://en.wikipedia.org/wiki/Social_Practice.

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Chapter 65
Current Trends of Education and Social Change in Balochistan:
A Sociological Analysis

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ABSTRACT

This article focuses on the current trends of education and social change in Balochistan. This article aims to point out the issues related to globalization and geopolitical changes around the region. Balochistan is the most backward area in terms of social development in Pakistan, as it has tribal societies. The political turmoil and war in Afghanistan has been present since 1979, and has brought refugees and donor agencies into the province. This article highlights the important of understanding the impact of social change in Balochistan. The modes of employment and economic activities have witnessed major changes. Education has played a crucial role in bringing about social change in Balochistan, as it is evident in many ways in the context of employment patterns. A large number of people are now in jobs which required a certain level of education, when compared to three decades ago. It is vital to understand the very dynamics of social change at this crucial juncture, when rapid social changes are taking place.

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INTRODUCTION

A sociological analysis of current trends of education and social change in Balochistan demands consideration of different aspects. The province of Balochistan presents an interesting scenario in the context of geography, population, urbanization, and social structure, as these factors influence the process of social change. The present study covers the salient sociocultural features of Balochistan and the current trends of education as well as social change in Balochistan.

GEOGRAPHICAL FEATURES OF BALOCHISTAN

Balochistan is the largest province of Pakistan in terms of geographical area, and the smallest in terms of population. It is spread over an area of 347,190 km^2, i.e., almost 44% of Pakistan's total area. The population of the province is approximately 33.16 million, while Pakistan's population exceeds 200 million (World Factbook - CIA, 2017).

The four geographical characteristics of the province are:

1. Upper highlands
2. Lower highlands
3. Plains
4. Deserts

The upper highlands are in the central and east-central part of the province. The lower highlands include the Sulaiman range in the east, Kirthar and Pab ranges in the south, and Chagai, Kharan, and Makran ranges in the west (Hughes, 2002).

The geographical pattern of the province has direct bearing on the communication system of the respective province as well as social change. About 35% of an entire network of national highways of Pakistan pass through Balochistan (Dehwar, 1994).

The total black topped roads in the province are 2148 kilometers, and single roads are 17098 kilometers. The province has huge potential for development of fisheries, tourism and seaports (Hussain, 2007). The location of Balochistan serves as a hub in the communication system, as it provides ample opportunities and potential for the social change and educational development. Balochistan is the most thinly populated province (Khalid, 2005).

SOCIO-CULTURAL, ETHNIC AND RELIGIOUS DIVERSITY IN BALOCHISTAN

The three major ethnic groups of people live in different regions of the province. These groups are, Baloch (46%), Pashtun (42%), Brahui (21%), the remaining 12% comprises of Brahui, Hazara, Punjabi, Sindhi, and other settlers like Turkmens and Uzbeks. In Balochistan, the Hindu portion of the population is small. They are found only in larger towns and seaports. Their numbers are said to be greater in Qalat (Hughes, 2002).

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In Balochistan multi-cultural groups are settled. In urban areas, mode of living varies from group to group and the living standard is also different between affluent classes. In the rural areas, living style is very much traditional (Chaudhry, 2006).

The major groups of Balochistan are divided into various tribes, clans, lineages, and sub-lineage. The tribe is headed by the chief of the tribe, called 'Sardar' (Jahangir, 1999). The social organization in tribal system is a kinship. It is a major institution which provides identity and socialization to its members. Tribal system is very effective in providing leadership and in resolving disputes between people in 'Jirga', which is a traditional assembly of leaders that make decisions by consensus. Jirga executes different functions, as it controls all of the related matters of social life (Khalid, 2005).

Occupational Trends

Most of the rural population is dependent for their livelihood on agriculture, rearing animals and transport. Afghan and Baloch farmers cultivate their own land. However, the Brahuis prefer to spend a pastoral life. Women perform household duties and also participate almost in all occupations with males. They have to take the flocks to graze, groom their husband's horse and help in the cultivation process. Social change is defined as, "a process responsive to many types of change, to change in the manmade condition of living, to change in the attitudes and beliefs of man and to changes that go beyond human control to the biological and physical nature of things" (McMichael, 2008).

It relates to the changes in social aspects within the society and society is a network of reciprocal social relationship. Thus, social change is the change in the social relationships. It is often used as a term used to explain deviation or alteration of features of social development, patterns, interactions, and organizations. In brief, social change is a method by which change takes place in the structure and function of a social system (Weinstein, 1997). While, Baloch tribes are spread all over Balochistan.

Social System

Balochistan has a pattern of tribal societies. Most tribes are settled in geographically defined areas. The name of the province is derived from the Baloch tribe, literally meaning 'the land of Baloch' (Sabri, 1994). Tribal people of Balochistan are called Balochis, Brahuis, and Pashtuns. Balochis and Brahuis speak different languages, but most of their words are common. They are culturally and socially so close that it is very difficult to differentiate amongst them. The majority of Brahui tribes are settled in district Qalat (Kausar, 1999).

Family System

Traditionally, families were large and joint family system is still common in Balochistan. Migration from rural to urban areas and the economic expansion in urban areas has brought about change in the family system as the nuclear type of family is now becoming more common.

Status of Women

The participation of women in the process of development cannot be denied in Balochistan. The role of women is different in both rural and urban areas. The rural women, due to social and cultural barriers,

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cannot take part in most of the social affairs. Their tasks are confined to household responsibilities, handicraft, poultry, cattle rearing, and sewing. While, some of them help their mates in the fields. To an extent, the role of urban women in Balochistan is also increasing (Achakzai, 1998).

FACTORS INFLUENCING ON SOCIAL CHANGE IN BALOCHISTAN

Biological Factors

These factors have an indirect influence on social change. The biological process indicates the numbers and the composition of the population and heredity. The qualitative aspect of the population is based upon the powerful men and their birth, which to a large extent is subject to the heredity and mutation. The size and nature of population is different from the socially determined conditions. The respective size of population and the economic conditions are interdependent. Increase in population affect the standard of living and motivates the change of attitude (Giddens, 2009).

The change in the quality and size of population has a great effect on the social change. The social organization, customs, traditions, institutions, and associations affect upon social relationship (Henslin, 1995). The size of population also affects economic institutions and association, marriage, family and the condition of women. Whereas, the birth and death rates also influence the process of social change. War is also a cause of social change, because it influences the population, economic situation and the ratio of males to females (Shahid & Rehman, 2008).

Technological Factors

Technology refers to artificial means of extending human abilities (Henslin, 2014). It has a great influence on social change. First, technology changes society by changing the environment. It is an aspect of material change. Technology leads to change and modification in the customs and social institutions. Material change in the society is a result of development and invention of new technology. For example, electricity, machines for production, means of transport, communication and various other mechanical appliances in everyday life influence the process of change (Marlow & John, 1998).

Social institutions like family and marriage system also have a great effect on the technological development. In the modern era technology is a major cause of social change (Robertson, 1987).

Information technology helps to store, retrieve and analyze the vast amount of information. In brief, technological factors cause rapid changes in the society. Use of mobile phone and desktop computers has increased the pace of change (Henslin, 2014).

Cultural Factors

Culture refers to the gestures, language, beliefs, values, norms, folkways, sanctions, mores, and material objects of an individual and society (Lindsey & Stephen, 2000). Norms, values, beliefs, and performance of a culture are likely to act in unison. Changes in one area of the culture provoke changes in other areas (Feigelman, 1993). Culture accepts changes provided it is well-suited to the existing norms and values. Culture by its very nature is prone to undergo change.

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In one aspect culture is valuation; in another, it is an expression. Culture also gives a great boost to adjust to the environment. Normally, changes in culture record gap between real and ideal culture, high and popular culture, dominant and subculture (Robertson, 1987). Cultural change is unavoidable. It is caused by discovery, invention as well as diffusion. Changes in the material culture are more quickly established than changes in nonmaterial culture (Bryjak & Soroka, 1996).

Religious Factors

Religion is a belief, a supernatural power which distinguishes between right and wrong and also provides answers to some of life's ultimate problems (Rogers & Burdge, 1992). Religion is cultural universal, as every society has its own form of religion and culture. People resort to religion, superstition, magic, and other no empirical explanations, when rational and scientific approaches fail to solve problems. The basic social values and attitudes are determined by religion. It develops a sense of loyalty and hard work among the people. Ethics determined by religion, help to develop humanity, cooperation, responsibility, and citizenship among the members of a society.

In Emile Durkheim's view, "Most important functions of religion are, maintain social solidarity; providing meaningful answer to ultimate questions; reinforce social control; and offering psychological support to the individual in crises."

Karl Marx viewed religion as an element that causes social conflict between different groups. While, Max Weber perceived religion to have an influence on social change and as a potential force in different societies. Religion also plays a significant role in economic development (Robertson, 1987).

Social Institutions

Social institutions like family and education play essential functions in a society (Rogers & Burdge, 1992). Institutions develop gradually from the social life of people. Social institutions are normally unplanned, conventional and interdependent. They develop gradually on the demand of the society (Manning, 1992).

Every institution plays its own role in society. Family institution works for nurturing of children. Economic institutions produce and distribute goods and direct the flow of capital to the needed areas. Education trains and educates the young. All institutions are interrelated and interdependent. A change in one institution forces changes in others.

Marx argued that economic change motivates religious change. Weber's viewed that religious change motivates economic change (Turner, 1994). Most of the scholars are of the view that economic institutions have a paramount influence. Changes and development in the family and educational institutions also depend on the changes and development of economy. However, science and technology are independent means of change (Isaak, 1995).

EDUCATION AND SOCIAL CHANGE

There are four factors that play a crucial function in the attainment of education. These are: biological factors, cultural factors, religious factors, educational factors.

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Biological Factors

Biological features are important in the educational performance of a child. In the biological factor two respective features, i.e., mental and physical features. It is said, that some children are intelligent by birth. It may be proved by their performance in the normal life. Quick response, capacity for learning, reasoning, and many other acts proof their ability is different than other kids.

According to Robert Plomin (2017) deputy director of the MRC Social, Genetic and Developmental Psychiatry Center at King's College London, there is an IQ gene which is passed on from parents.

While, physical abnormality is another barrier in the performance and achievements of a child. Physically abnormal child is not always mentally retarded. Mostly, special children have very keen and sharp IQ.

Cultural Factors

The cultural background plays very important role in the children's educational attainment. It is culture that leads people, as it stresses on the need and importance of education to children. It develops attitudes, beliefs and expectations about the school. Child performance depends upon the interest of the parents. The lifestyle or living standard of the family also depends on the child's education (Karp & William, 1993).

The social class with which an individual belongs reflect the behavior and performance in school. The educated environment of the society boosts the morale of a child towards education. The system of education also contrasts in culture. There is a great difference in terms of linguistics in education. In rural culture the difference of linguistic affects the child's performance to a great extent (Steiner, 1997).

Religious Factors

Islam is the dominant religion in Balochistan and majority of the Muslims belong to the 'Sunni' sect. There is also an effect of religion on the educational attainment. Influence of religion and religious education have also an effect on the development of society. The emphasis on education in Islam is seen very clearly as mentioned in 'Quran' and 'Hadis'. The very first revealed word in the Quran is 'iqra' meaning 'to read'. "Read: In the name of thy Lord who createth… Read: And thy Lord is the most bounteous. Who teacheth by the pen. Teacheth man that which he knew not" (Quran, Surah 96).

Knowledge comes through education and Islam laid emphasis on the role of education in these words, "The seeking of knowledge is obligatory for every Muslim" (Al-Termezi, Hadis 74). "Acquire knowledge and impart it to the people" (Al-Termezi, Hadis 107). These Hadis implies that there is no gender difference for seeking education as knowledge and its significance for the society (Baloch, 2003).

Educational Factors

In educational achievement, the role of school is also important. The infrastructure of the school, rules and regulations prevailing reflects the children performance (Coleman et al., 1996). The environment of the school and the student-teacher relationship replicate the pattern of behavior of the pupil. The classroom interaction between students with their teacher and the class fellow build-up the personality of students.

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ROLE OF EDUCATION IN SOCIAL CHANGE

According to Malik (1991), the three major roles of education that exist in an educational system and serve as its signposts are:

1. The role transmission;
2. The role of adjustment;
3. The role of creation.

1. The Role of Transmission

The role which marked the beginning was that of the transmission. It passes onto the living generation. This role of education is of the nature of preservation of the past. It is the linking of the past with the present and making it a part of the present. The emphasis lies, however, on the aspects of the past. It might create an attitude of nostalgia, of the millennium that once existed, of the good things that are now non-existent. Educational theory and practice throughout the ages have accepted this role of education.

2. The Role of Adjustment

It is very true that the present owes its existence to the past. However, the point to note is that it is not a mere past which exists in the present. The issue is how much of it should become a part of history. Hence, this dilemma besets all ages. As the present grows more attractive in the eyes of people, its claims progress and advancement. The stress comes to lie on progressivism in education rather than mere essentialism based on the past.

The adaptation is distinct from the old role of adoption. The rival claims of the past and present go back in history. The more the educators become engrossed in the ever-increasing demands of the present, the less importance is given to the past.

3. The Role of Creation

Nations do not live in the present, because they also keep an eye on their future. Their conceptions of most basic life values affect their present-day efforts to reform the present. In other words, the past, present and future all merge together in the present day educational system of any country. The role of creation which is of quite recent origin, thus comes into play to reconstruct the future. This role of education can be envisioned if all the needs of the present stand satisfied. If the education for adaption is lacking comprehensiveness and role of future reconstruction cannot be profitably undertaken. It is only on the basis of the techniques of innovation and changes learnt in the present, that any attempt for the creative role of education becomes possible.

THEORETICAL BACKGROUND OF SOCIAL CHANGE

According to evolutionary theorists, all societies have the regular direction of social change through a chain of stages. These are from the initial to final stage of development. When the final stage is reached

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the evolutionary change ends (Horton & Hunt, 2004). Evolutionary theory asserts that, societies observe change from simple or initial to modern or technological phase. The process goes through many stages. Every stage has some fixed intervals. In each stage, different elements join together in an incorporated system. Many theorists have their own views about the evolutionary theory. Some of the respective notions are discussed here.

Auguste Comte (1798-1857) pointed out that society has passed through the stages namely; theological, metaphysical and positive or scientific. In the theological stage, society believed in super-natural powers and accepted the idea that these powers control social behavior. During the second stage, the ideas about supernatural power changes. The gods become an abstraction. In the positivistic or scientific stage, everything is seen by scientific laws, and the contemporary society is currently in the third stage (Giddens, 2009).

According to Herbert Spencer (1820-1903), society is originally militant and requires a struggle for existence. The militant society then passes into industrialism and at this stage there is a differentiation. Later, this differentiation changes to interrogation. The respective process is the struggle from a simple tribal group to a complex modern society.

Karl Marx's Theory (1813-1883) is considered as a theory of conflict perspective. However, this theory is evolutionary in its very nature. The Conflict perspective sees change as the result of a conflict. Change is taken to be continuous, as long conflict lasts. New groups and classes are produced by changing interests. Marx blamed the class conflict as the reason for change in society. According to him, "The most dramatic social changes occur through absolute violence" (Collins, 1990).

In cyclical theories of social change, society changes in different stages similar to evolutionary theories. These changes start and cover the initial process of growth and development. After decline, new changes are initiated. According to Oswald Spengler (1880-1936) each great civilization passes through successive stages of birth, growth and decline. The complete cycle takes thousands of years.

According to Pitirim Alexandrovich Sorokin (1889-1968) all great civilizations experience an endless cycle of three cultural changes:

1. The ideational culture, with supernatural belief and values;
2. The idealistic culture, with a blend of supernatural beliefs and evidence-based rationality;
3. The sensate culture, in this, the sensations is the test of reality and the goal of life.

According to the Functionalist perspective, change is a constant process. Changes disrupt the equilibrium of society, until the change is integrated into the culture. Changes which are considered useful are accepted and useless changes are rejected. Functionalist emphasizes social order, rather than social change. They focus on the functions of the social phenomenon in maintaining the social system as a whole.

Talcott Parsons (1902-1979) opined that social change is a process by which social equilibrium is altered and results in new equilibrium. Social change takes place when internal or external strain imbalance the system. It irritates adjustment to bring back the balance. Thus, new social arrangements and new culture components became possible. The institutions have several functions in the societies. When societies became more complexes, the segregation takes place. It is needed to maintain the equilibrium. The components are integrated with one another, and results in a changed system (Robertson, 1987).

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RESEARCH METHODOLOGY

The respective research defies a simple and direct methodology of research, i.e., the secondary analysis methodology was adopted. It involved utilizing qualitative data by other scholars. This methodology provided with the advantage of saving time as well as financial resources. The disadvantages of the secondary and content analysis of other studies were to a degree, offset by reliance on the data cited by eminent scholars.

ANALYSIS OF THE LITERATURE REVIEW

The province of Balochistan presents an interesting scenario in the context of geography, population, urbanization, and social structure, as these factors influence the process of social change. It is the largest province of Pakistan in terms of geographical area, and the smallest in terms of population and has a settlement of multi-cultural groups. The major groups of Balochistan are divided into various tribes, clans, lineages, and sub-lineage. Balochistan has a pattern of tribal societies. Most tribes are settled in geographically defined areas. Traditionally, families were large and the joint family system is still common in Balochistan.

Most of the rural population is dependent for their livelihood on agriculture, rearing animals and transport. Women perform household duties and also participate almost in all occupations with males. Their tasks are confined to household responsibilities, handicraft, poultry, cattle rearing, and sewing.

The change in the quality and size of the population has a great effect on the social change. The size of the population also affects economic institutions and association, marriage, family and the condition of women. Whereas, the birth and death rates also influence the process of social change. Technology leads to change and modification in the customs and social institutions. Material change in the society is a result of development and invention of new technology.

Social institutions like family and marriage system also have a great effect on the technological development. In the modern era technology is a major cause of social change. Culture by its very nature is prone to undergo change. In one aspect culture is valuation; in another, it is an expression. Culture also gives a great boost to adjust to the environment.

People resort to religion, superstition, magic, and other no empirical explanations, when rational and scientific approaches fail to solve problems. The basic social values and attitudes are determined by religion. It develops a sense of loyalty and hard work among the people. Ethics determined by religion, help to develop humanity, cooperation, responsibility, and citizenship among the members of a society.

Institutions develop gradually from the social life of people. Social institutions are normally unplanned, conventional and interdependent. They develop gradually on the demand of the society. All institutions are interrelated and interdependent. A change in one institution forces changes in others.

There are four factors that play a crucial function in the attainment of education. These are: biological factors, cultural factors, religious factors, educational factors. While, the three major roles of education are, the role transmission, the role of adjustment, the role of creation.

According to evolutionary theorists, all societies have the regular direction of social change through a chain of stages. These are from the initial to the final stage of development. When the final stage is reached the evolutionary change ends.

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Auguste Comte pointed out that society has passed through the stages namely; theological, metaphysical and positive or scientific. Herbert Spencer believed that society is originally militant and requires a struggle for existence. Karl Marx's conflict perspective sees change as the result of a conflict.

In cyclical theories of social change, society changes in different stages similar to evolutionary theories. Oswald Spengler stated that each great civilization passes through successive stages of birth, growth and decline. Pitirim Alexandrovich Sorokin inferred that all great civilizations experience an endless cycle of various cultural changes.

Functionalist perspective stress that change is a constant process. Talcott Parsons opined that social change is a process by which social equilibrium is altered and results in new equilibrium. Social change takes place when internal or external strain imbalance the system.

Recommendations

1. Community elders, religious scholars as well as community based organizations (CBOs) along with NGOs/INGOs can help in resolving the respective issues;
2. Educators, family members, curriculum designers and society at large should focus on motivating the students for utilizing their skills with confidence;
3. Government should facilitate agriculture, so that the people of the community are able to cultivate different crops for a healthy as well as sustainable environment;
4. Implementation of laws regarding the upheaval of the Baloch should be ensured at all possible levels;
5. Industries in a particular area should be built, so that it could help to reduce the poverty and unemployment of the respective communities;
6. International organizations and UN specialized agencies should assist Balochistan to lead it towards development;
7. National curriculum needs an exhaustive revision regarding the promotion of technology in a much effective manner;
8. Proper socialization by parents can help a lot in this sphere;
9. Respect as well as the dignity of the locals must be maintained with due regard to religious and cultural context;
10. Special attention must be paid towards children and women's rights in Balochistan;
11. State-run institutions should be equipped with libraries and other aids that facilitate the teachers and students to learn in a favorable environment;
12. The government must take concrete initiatives for the betterment of the masses and it should also ensure full participation of the respective people in all spheres of social life by providing them with equal opportunities;
13. The media should portray the significant role of women in the progress of Pakistan, and it should highlight the problems faced by Baloch women;
14. The women should also be given their due share in family property which may enhance their socioeconomic status;
15. The women should also be given equal rights to get proper education and be allowed to marry according to their choice;
16. Religious figures should also play their pertinent role as religion has a significant role in Pakistani society;

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17. Youth's participation in social activities as well as workshops can also help a lot in this sphere;
18. Further researches should be conducted by concerned authorities which will help in judging the needs of the population that needs to be facilitated and should also focus on techniques as well as strategies to minimize the respective issues of inferiority in the context of Balochistan.

CONCLUSION

Education plays a vital role in the growth and development of an individual in the society. There exists a reciprocal relationship between social change and education. Social change is a motivating force for education and education itself is a motivating force for social change (Cox, Geisen, & Green, 2008).

It is because of change that new reforms in education are seen in the present system of education. Science and new technology have a marvelous worth in bringing about change in society. Education as a single element, educates the people. The citizens pursue the rules and regulations of the new era. Education helps to provide appropriate skills to the workers. The public awareness of change is the result of awareness among the educated. Education provides magnificent solutions for social problems (Tiene & Albert, 2001). In the case of Balochistan, this relationship seems lacking.

There is also a direct relationship between education and the economic system. In terms of functional perspective, improved structure of education helps in the development of the economic system (Sodhi, 1985). Social mobility develops due to improved educational system, as it also changes the class structure. Personal development of an individual is possible through education. Personal development encourages individuals to exhibit their inner talent. It guarantees harmony and order in society. The principle of merit and self-help bring in changes as a consequence of hard work. Cultural deprivation often causes failure of individual and poor socialization. In brief, education has a solid worth to overcome these difficulties (Turner, 1994).

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Chapter 66
Women in Development Mobilize Grassroots Enterprises to Reduce Household Poverty

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ABSTRACT

This study examines the roles African women played in reducing household poverty through local enterprises that resulted in feeding their families, sending their children to school and contributing to community development. Their determination was to implement and invest in self-help enterprises in order to counter the incidence of household poverty and eventually bring about social change. A literature review section distinguishes theoretical from empirical approaches to study poverty and leads this study to some important conclusions. The results paint a picture that explains a world in which women live in poverty as they face gross inequalities and injustices from birth to death—from poor education, poor nutrition, vulnerable and low-pay employment, and acts of discrimination that women are likely to suffer throughout their entire life.

INTRODUCTION

Mobilizing women in poverty reduction projects in East Africa is part of a United Nations (UN) global ongoing agenda which has the broadest consensus by the international community (Noel, 2006; United Nations, 2012). Recent UN reports indicate that extreme poverty rates have fallen in every developing region. The UN claims that globally, the Millennium Development Goals MDGs) targets on the proportion of people living in extreme poverty has been met five years ahead of the target date. About 700 million fewer people lived in extreme poverty conditions in 2010 than in 1990 (United Nations, 2015a). Poverty rates and number of people living in extreme poverty fell in every developing region—including in sub-Saharan Africa, where rates are highest. The proportion of people living on less than $1.25 a day fell from 47 per cent in 1990 to 24 per cent in 2008—a reduction from over 2 billion to less than 1.4 billion (United Nations, 2010). Despite this impressive accomplishment at the global level, 1.2 billion people still live in extreme poverty.

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In East Africa, and Tanzania in particular, these positive trends are visible particularly in urban areas but less observable in rural areas where most women live; and where 80% of the population is engaged in agriculture, a sector in which the incidence of poverty has only decreased by 1.3% — from 38.7% to 37.4% (Mashindano, 2009; Osberg, & Bandara, 2012). The underlying explanation for this difference between rural and urban populations seems to be the slow growth in agriculture, on which most rural poor make a living. Because agriculture is the main livelihood for many people and contributes to a quarter of the GDP, the development of agriculture becomes essential for the pursuit to reduce poverty in Tanzania.

During 2001–2007, agricultural output in Tanzania grew only by 4.5 per cent per year compared to the 9.4% annual growth in industry and 7.7% growth in services (Osberg, & Bandara, 2012). The mining and construction sub-sectors in the industrial sector grew more rapidly at 15.2% and 10.8%, respectively. The end result is that in Tanzania, agriculture's share of GDP dropped from 30.6% in 2001 to 26.2% in 2007 (Bagachwa, 1994, and declined further to 25.6 per cent in 2008 (Bank of Tanzania, 2010).

For this reason, policy-makers reckon the "poverty reduction movement" as the most important goal of development policy for a nation with goals to eradicate extreme poverty by 2025 (United Republic of Tanzania, 2005). Consequently, efforts to generate data and develop definitions of poverty are believed to be critical to policy-makers because they allow the measurement of changes in poverty over time, comparisons across space, and the identification of poor households or individuals targeted in poverty-alleviation programs (Bagachwa, 1994; Cooksey, 1994; REPOA, 2005).

This article presents a story of *Jitahidi* women entrepreneurs in Tanzania and explains how these women overcame household poverty at the micro level. The task was to establish grassroots cooperative business activities for women with assistance from microfinancing institutions. *Jitahidi* is a Kiswahili name coined to represent women's efforts that support poverty reduction and development. Simply put, *Jitahidi* is an expression that signifies a local metaphor that reflects the 'pulling up oneself by the bootstraps' or 'to improve or succeed by one's own efforts.' This metaphor represents the story of grassroots initiatives taken by women entrepreneurs poised to harness the collective power of local women in the region. Their determination was to implement and invest in self-help enterprises in order to address the incidence of household poverty and eventually bring about social change.

Through this case, the study examines the invisible but vital roles African women play in reducing household poverty through local enterprises that result in feeding their families, sending their children to school and contributing to community development. Analysis of the women's story reveals a tacit but cogent argument that women's economic enterprises are part of the global project to reduce poverty; and women entrepreneurs, though not recognized, are a great resource in Sub-Saharan Africa region (Hallyward-Driemeir, 2013). The theme that runs throughout the narrative on *Jitahidi* Women's enterprises is about aspirations and desire to address incidences of poverty and social change in order to overcome gender discrimination, socio-economic inequalities and gender oppression—for example, domestic violence (Jagire, 2014).

A study of development issues of African women requires a multifaceted approach and it is an involved task to address them. To disentangle some of the problems in view of the *Jitahidi* women's collective effort of reducing household poverty in the region is complex and intricate, especially because of the limited availability of reliable data on many non-income achievements, particularly for cross-country comparisons (Birdsall, & Londono, 1997). Previous studies that analyzed the status and trends of poverty focused on the incidence of poverty measurement (Ravallion, 2001). Studies in various disciplines such as women's studies (Namabira & Kamanzi, 2013), women's cooperatives (Kamanzi, 2010), women in agriculture (Longwe, 1990), gender studies (Malhotra, Schulte, Patel, & Petesch, 2009)), and sociology

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(Kamanzi, 2012), tackled these issues and continue to strengthen whatever arguments are proffered in relation to these pertinent problems. However, poverty as experienced from women's point of view has not been a subject of social science in Tanzania.

Cooksey (1994) and Longwe, (1990) reviewed the research on poverty. Both cite the Cornell study, which shows that the extent of poverty is more widespread in rural Tanzania than in urban Tanzania. If the poverty line is set as the income required to be able to consume 2100 calories daily plus a set of other basic needs, then 58% of the rural population is poor but only 29% of the urban. Perhaps taking 2000 calories per day as the minimum requirement puts well over half the rural households below the poverty line.

For example, according to Cooksey, an annual income of Tshs. 27721 a year per adult equivalent defines this limit in monetary terms. Likewise, just over a quarter of the population of Dar es Salaam falls below the annual income limit of Tshs. 54,950 required to secure the same level of calorific intake in the city and about a third of the population in other cities. In income terms, the poverty line in Dar es Salaam therefore is twice that of the rural areas. Overall, the poor consume only 1654 calories per adult equivalent a day, compared with impressive calories for the non-poor (Cooksey, 1994, p. 59).

Concurrently, this article draws insights already posited in some of the referenced previous studies, largely by the World Bank on poverty reduction and from the case study of *Jitahidi* Women's Cooperative (JCW) in Northern Tanzania (Cammack, 2004; World Bank, 1990). Today's advocates, educators, policymakers, researchers and theorists are grappling with new and changing understandings of the causes of poverty, and priorities to overcome it (Bagachwa, 1994; United Republic of Tanzania, 2005). More importantly, the term "poverty" has gained many meanings, suggesting diverse, and sometimes, conflicting priorities for action. In common usage, however, is the distinction made between economic or financial poverty, relative poverty and extreme poverty. First, economic poverty refers primarily to financial poverty that reflects insufficient incomes or per capita consumption (Carter, & Barrett, 2006; (Ravallion, 2001). Second, relative poverty (meaning subjectively experienced poverty) is a potentially crucial determinant of social behavior, including political identity, organization and action (Cooskey, 1994; Foster, 1998).

Third, researchers take extreme poverty or absolute poverty line as the income required to meet a minimum calorific consumption level (Cooskey, 1994; Foster, 1998). The definition includes a basic basket of consumer goods which is larger for urban than rural areas. Individuals and households falling below this minimum level are considered to have chronically or acutely inadequate diets, and are defined as absolutely poor. At the extreme, insufficient food leads to ill-health, indigence, starvation and ultimately death (Cooskey, 1994). In recent years, Tanzania has not had to deal with absolute or extreme of poverty on a significant level. However, the drought years of 1978-1980 caused crop failures which in turn brought populations in rural areas to the brink of poverty, making it necessary to import and distribute to the masses tons of food aid.

Other scholars in recent reports advocate for a more broad-based definition of poverty that is not solely based on financial or calorific resources (e.g. Smeeding, 1997; Dreze and Sen, 1989). Individual reports have contributed to the human development debate by focusing on and exploring in some details; with emphasis on selected themes such as people's participation (Sugar, & Najam, 1998); gender–UNDP index (Bardhan, & Klasen, 1999)., and poverty index—UNDP (Ravallion, 1997).

For example, references to extreme poverty partly seem to rely on work by Rawls, Sen, and others who emphasize that poverty should be seen in relation to the lack of important "basic goods" (Rawls, 2001) or "basic capabilities" (Sen, 1976; 2005) some of which cannot be purchased with money since

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they are under-provided in a market economy system. Financial resources, Rawls and Sen contend, are just one of several means to achieve well-being and therefore, efforts should be directed at measuring well-being outcomes directly, rather than focus on one or more of its imperfect proxies. These two perspectives provide a basic understanding of poverty that situates the discussion of grassroots efforts in household poverty reduction.

The article begins with tentative reactions concerning the definition of poverty and the challenges *Jitahidi* women faced while addressing the plight of household poverty. The women's determination is testimony to the movement of women everywhere in development sweeping Sub-Saharan Africa and the impetus to design collective efforts to overcome the misery that poverty inflicts on the most vulnerable groups of society. A literature review section distinguishes theoretical from empirical approaches to study poverty and it leads this study to some important conclusions. A discussion of the implications of the case study is followed by tentative conclusions. Data to support these conclusions were collected in East Africa from June 2009 to August 2012. The results paint a picture that explains a world in which women live in poverty as they face gross inequalities and injustices from birth to death—from poor education, poor nutrition, vulnerable and low pay employment, and to sequence of acts of discrimination that women are likely to suffer throughout their entire life.

POVERTY REDUCTION AND THE CONTEXT OF WOMEN IN DEVELOPMENT

Women make up half of the world's population (UN, 2005) and yet represent a staggering 70% of the world's poor (Vandemoortele, 2002). For the millions of women living in poverty, as it is for rural women in Tanzania, their lives are a litany of injustices, discrimination and obstacles that get in the way of achieving the basic needs of good health, safe childbirth, education and gainful employment. This is related to growing concerns among state and international agencies about women as a problem in production and reproduction (Mbilinyi, 1984). Extreme poverty has led to heightened concern about the political consequences of real declines in income, the high rates of malnutrition and infant and child mortality rates, and the deterioration of peasant agriculture combined with the breakdown of peasant family relations. Women became of pivotal concern in the effort to forestall revolution as well as to increase production of food and export crops, given their central role as food producers in the peasant sector, and as providers of nearly all other family needs in cash and in kind (Mbilinyi, 1984).

While awareness of the important role played by women in development might have increased in the post MDGs era, debates rage on regarding gender planning from *Women in Development* (WID) to *Gender and Development* (GAD). The distinction between WID and GAD is far from clear, as gender interests, like women themselves, are constantly changing and adapting in response to new opportunities, information, and environments (Brown, 2007). Brown argues that based on the experience of organized women in Dar es Salaam as well as elsewhere in Tanzania, WID programs are not only politically and practically easier to implement, they may actually address the priorities of poor women, who, when given the space and support to undertake their own assessments of their interests, can then start to transform gendered power relations in their families and communities.

The first United Nations Millennium Development Goal (MDG) of ending poverty and hunger illustrates the strategies of Women in Development as adopted by *Jitahidi* women. The eight MDGs – which range from halving extreme poverty rates to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 – formed a blueprint agreed to by all the world's countries

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and all the world's leading development institutions. As a signatory to this commitment, the Tanzania government has mobilized its institutions to implement the MDGs, as defined in the *National Strategy for Growth and Reduction of Poverty* (NSGRP), locally known as MKUKUTA—*Mkakati wa Kukuza Uchumi na Kupunguza Umasikini* (REPOA, 2005).

The plight and pain of poverty is felt mostly by women in Tanzania and throughout the world as a problem that affects the most vulnerable people in society, particularly women, children, and the disabled. These groups live in very poor circumstances – they lack the basic amenities of life, such as food, clothing, and permanent shelter. The global mobilization of poverty reduction strategy was initiated in 1999 by the World Bank and the International Monetary Fund (IMF) has to-date emerged as the landmark commitment entered into by world leaders in 2000 to "spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty" (United Nations, 2015b) and enabled people across the world to improve their lives and their future prospects. Such global vision was translated into eight Millennium Development Goals (MDGs). The first goal aimed to eradicate extreme poverty and hunger with the following set targets:

1. Halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day;
2. Achieve full and productive employment and decent work for all, including women and young people;
3. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

The MDG goals have remained the overarching development framework for the world during the past 15 years. Current MDG's reports from global, regional, national and local efforts indicate that:

1. Extreme poverty has declined significantly over the last two decades. In 1990, nearly 50% of the population in the developing world lived on less than $1.25 a day; that proportion dropped to 14% in 2015. (United Nations, 2015b).
2. Globally, the number of people living in extreme poverty has declined by more than half, falling from 1.9 billion in 1990 to 836 million in 2015. Most progress occurred since 2000. (Extreme poverty is defined as average daily consumption of $1.25 or less and means living on the edge of subsistence).
3. The number of people in the working middle class—living on more than $4 a day—has almost tripled between 1991 and 2015. This group now makes up half the workforce in the developing regions, up from just 18 per cent in 1991.
4. The proportion of undernourished people in the developing regions has fallen by almost half since 1990, from 23.3 per cent in 1990–1992 to 12.9 per cent in 2014–2016 (United Nations, 2015b).

This report from International institutions' progress on poverty reduction contrasts with disappointing results in the real world. For example, the 2015 stark achievements as stated in in the 2015 UN report could hardly be said to reflect the lives of *Jitahidi* women in Tanzania. In 2001, poverty head count stood at 35.7% in Tanzania and declined marginally to 33.4% in 2007 (Hoogeveen and Ruhinduka, 2009). The situation in rural areas where the majority of the population lives is much worse as incidence of poverty has only decreased by 1.3%--from 38.7% to 37.4% (Mashindano, 2009). However, this small reduction of poverty reported in 2009 occurred during a period of impressive growth when GDP of Tanzania Mainland in 2007 was 51% higher in real terms than in 2001. Economists calculate that the growth currently

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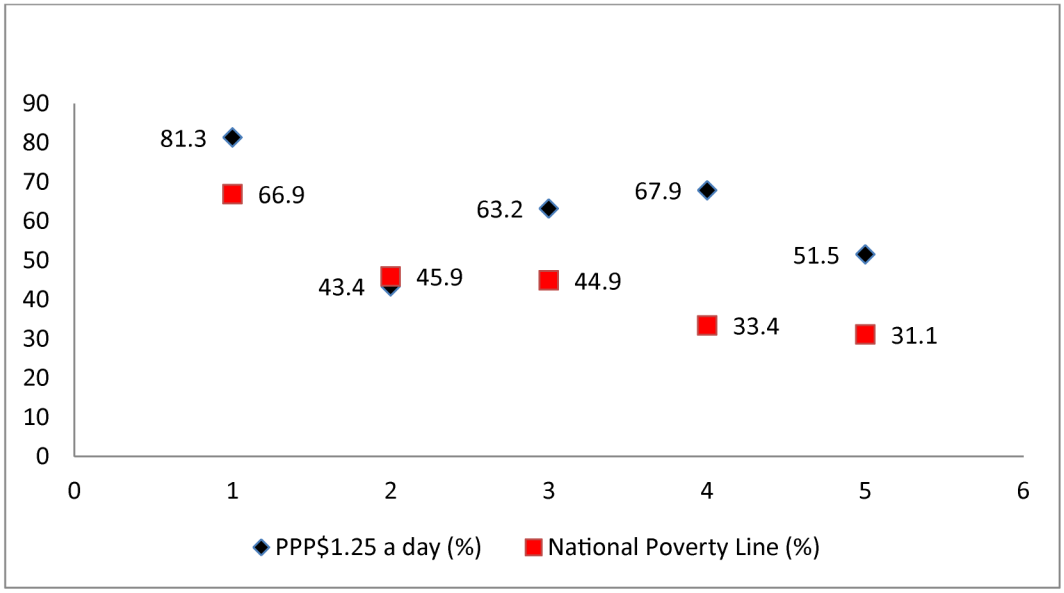
stands at 7 per cent (Agyei-Holmes, 2010; National Bureau of Statistics, 2009). The last development plan announced by president Kikwete before he left office, expects to raise the per capita income of Tanzanians from the current 350 to 650 US dollars by 2016 (Maijala, 2014).

Further, national reports pointed out that in developing regions, like Tanzania, children from the poorest 20 per cent of households are more than twice as likely to be stunted as those from the wealthiest 20 per cent. Children in the poorest households were four times as likely to be out of school as those in the richest households (Mashindano, 2009). Also, under-five mortality rates are almost twice as high for children in the poorest households as for children in the richest. In rural areas, only 56 per cent of births are attended by skilled health personnel, compared with 87 per cent in urban areas. About 16 per cent of the rural population do not use improved drinking water sources, compared to 4 per cent of the urban population. About 50 per cent of people living in rural areas lack improved sanitation facilities, compared to only 18 per cent of people in urban areas (World Bank, 2012).

Although life expectancy, school enrollment, and other indicators of social wellbeing have improved dramatically in Tanzania and across Africa and the developing world; and although the proportion of the poor has gradually declined in the last few decades, the absolute number of poor people in the world has actually increased. For example, about 1.3 billion people in less developed countries still subsist on less than $1 per day (UN, 2010). Figure 1 shows poverty levels in Tanzania compared to its neighbors: Burundi; Kenya; Rwanda; Uganda.

The common explanation for the discrepancy which is gaining credence among scholars is the proportionate contribution of the various sectors of the economy to growth, the weights given to various social and environmental parameters (which is subject to contestation) and the number of people engaged in those sectors (Mashindano, 2009; Kaplinsky, *et al*, 2009). Of the 80% of Tanzanians who live in rural

Figure 1. Populations in 2002-2011 below income poverty line (World Bank, 2011). 1. Burundi; 2. Kenya; 3. Rwanda; 4. Tanzania; 5. Uganda.



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areas, more than four fifths of them live in households where the main economic activity is agriculture. The economic boom in Tanzania today is being driven mainly by mining and tourism sectors, dominated by foreign investments with its associated capital flight (Mashindano, 2009; Atkinson and Lugo, 2010).

While relative progress was witnessed nationally, poverty continues nevertheless to be the fundamental theme and core of many development strategies. As a general observation, women in Tanzania as well as throughout Sub-Saharan Africa operate too often in the informal sector, in small farms, and in traditional sectors (e.g., agriculture and other miscellaneous domestic activities) as compared to their counterparts in the North countries (Agyei-Holmes, 2013). They are not fully able to realize their capabilities and potential (World Bank, 2009). Conversely, Tanzanian women, in particular, have invaluable knowledge in crop growing and management. They are also experts in environmental conservation whose beginnings or even impacts have not been solemnized, having been kept largely invisible in their society (Jagire, 2014; Wane, 2007).

Therefore, a persisting question is, 'Why do women lag behind in almost all sectors of the economy in Tanzania and elsewhere in Sub-Saharan Africa?' The women's invisibility must be "attributed to male privilege and power exercised over women as prevalent in Tanzanian society" like many other societies (Jagire, 2014, p. 165). From popular perspective, the widespread picture of the African rural woman is that of someone uneducated, under control of her spouse, resource-less and virtually powerless. Overcoming these inequalities and ensuring that women benefit from the current economic boom, requires that the needs and desires of women are not only taken into account, but are put front and center in policy statements.

Unfortunately, in other parts of Africa, with poverty that plagues the majority of rural women, comes the unspeakable misery that is inflicted on families and often aggravated by instances of catastrophic illness, war, national disasters (e.g., floods, drought, earthquakes, typhoons, hurricanes, or sandstorms) recession, or oppressive and corrupt government regimes. In recent years, since 2000, efforts of national governments, international organizations, humanitarian agencies, scores of non-governmental organizations (NGOs), and volunteers and most recently, the business community have mobilized and joined efforts to support the UN Millennium Development Goals to reduce the incidence of economic poverty.

Poverty Reduction and Microfinance Lending Institutions

The UN Millennium Development Goals spurred a flurry of financial institutions to engage women in poverty reduction. In Tanzania, for example, microfinance lending institutions (e.g., Savings and Credit Co-operative—SACCOS) have boosted women's economic enterprises in the country even though microfinance is still relatively new (Nkomolla, 2007). Established in 1995, mainly to link women and poverty alleviation, microfinance is widely recognized as a tool for poverty reduction (Sizya, 2001, Zeller & Manohar, 1998). With its increased use and publicity in Tanzania, following the 2001 implementation of the National Microfinance Policy, microfinance lending and borrowing has grown exponentially to involve four main microfinance institutions: (1) Foundation for International Community Assistance (FINCA), (2) Promotion of Rural Initiative & Development Enterprises (PRIDE), and (3) Small Enterprise Development Agency (SEDA) and (4) the Tanzania Postal Bank (ILO, 2005).

Also, Community Banks and small banks have taken interest in microfinancing, as well as many NGOs and non-profit organizations. Currently, Tanzania's national directory has at the service of poverty reduction a total of 8 banks, 45 Community Based Organizations (CBOs), 2 companies, 95 Government programs, 1,620 SACCOs, 48 Savings and Credit Associations (SACAs) and 62 NGOs (Agyei-Holmes,

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2013; Dill, 2010). It turns out that in the past two decades, civil societies, social movements and more recently, microfinancing institutions have come to flourish, and in particular, through national governments, as they fulfilled their obligations in implementing the MDGs that ensure global human wellbeing.

In the confluence of the wide spread of financial institutions to assist poverty reduction, women entrepreneurs quickly became economically active. This phenomenon is not limited to Tanzania but it is a phenomenon in the Sub-Saharan Africa region where women have established income generating enterprises more than any other region (World Bank, 2011). Reports show that in most Sub-Saharan African countries, 80% of farming is done by African women with Indigenous knowledge passed from generation to generation also by women (Jagire, 2014). For example, women account for sustained increases in income, greater empowerment and social inclusion, health and caring for the elderly, education for children, mental health and happiness (Blattman, Green, Annan, and Jamison, 2013). In addition, women have a wealth of knowledge and expertise in farming and some status in social organization of families, where they have important roles as nutritionists, trainers and conservationists. "They (women) are the backbone of the agricultural economy in Tanzania" (Jagire, 2014: 165).

For these reasons, African women are reckoned as a great development resource of the community. Nearly 80% of food grown in African agricultural country, such as Tanzania, is done by women (Wane, 2007). The United Nations Development Program (UNDP) recognizes the roles women play in the community, and consequently, UNDP estimates that gender equality and women's empowerment are desirable byproducts of human development (UNDP, 2008). However, patriarchal and traditional practices with gender discrimination continue to hamper women's progress, and agricultural knowledge remains a "male" exclusive domain—men own the land, they make decisions about land use, determine what or when to grow on the land, and ultimately keep the money derived from the harvest, particularly proceeds from cash crops sales.

Attempts to Measure Incidents of Poverty by Key Indicators

Although Tanzania's policy-makers have been concerned with poverty and its eradication for many years, remarkably little is known about the nature, causes, incidence, and trajectory of poverty in the country. The micro case of *Jitahidi* women signifies gravity of the incidence of household poverty. The majority of Tanzanian women who live in rural areas spend an important fraction of their expenditures on staple food. They have little assets such as access to land, credit, high yield seeds, or pests control remedies. In their midst are farmers who lack education and face lots of interconnected, multidimensional obstacles that make it impossible to escape the poverty trap.

To provide an idea of the gravity of their plight, their expenses can be related to local currency. Though an imperfect example and using the December 2000 exchange rate of about Tsh. 1,000 to the US dollar, Tanzania's poverty line appears low: about 0.26 per adult equivalent. Such expressions can be deceptive; however, as the international poverty line is expressed in 1993 purchasing power parity (PPP) dollars. In sum, to express Tanzania's national poverty line of Tsh. 7,253 per adult equivalent per 28 days (December 2000 prices) in 1993 prices results in a poverty line of Tsh. 3,329 (Rahman, & Westley, 2001). Few empirical research studies have been conducted to chart out certain aspects of national patterns of poverty. For this reason, none of the recent major national studies attempt to locate poor people by region or district (See Bagachwa, 1994; REPOA, 2005). However, there is a general agreement that

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poverty is more widespread in rural than in urban areas. Typically, income or expenditure comparisons between rural areas, Dar es Salaam and other urban areas show a greater incidence and depth of poverty in rural areas, with Da es Salaam showing the least.

Generally, the incidence of poverty is measured as a percentage of the population whose per capita consumption is below the poverty line, that is, the population that cannot afford the basic basket of goods—including all consumption that which is not bought on the market but produced for own consumption (Cooksey, 1994). The poverty gap is a measure of the amount relative to the poverty threshold. The severity of poverty is the total of the squared income shortfall (expressed in proportion to the poverty line) of families whose incomes are below the poverty threshold, divided by the total number of families. Severity of poverty happens to be a measure which is sensitive to the income distribution among poor—thus, the worse the distribution, the more severe is poverty. While the incidence of poverty is a key indicator, it is used to complement the depth and severity of poverty to see what happens to the poorest, especially if inequality is great.

Other attempts to measure poverty and deprivation in the broader sense have been undertaken but indices such as the Human Development Index (HDI), the Human Poverty Index (HPI) (UNDP, 1998), or the Physical Quality of Life Index—PQLI (Morris, 1979) have helped to advance the debate on "non-income" measures of well-being at the aggregate level (Srinivasan, 1994; Ravallion, 1997). Much of the short-comings of such efforts relate to the limited availability of reliable data on many non-income achievements, particularly for cross-country comparisons. See Table 1.

At the same time, a series of living standards measurement surveys have recently generated new, fairly reliable and comprehensive micro data for many developing countries (Ravallion, 2001). These surveys have been used in economic analyses and poverty studies, including efforts to compare levels of absolute expenditure poverty across countries (Ravallion, 2001; World Bank, 2012). Table 1 compares the multidimensional poverty index for countries in the East African community: Burundi, Kenya, Rwanda, Tanzania and Uganda.

Table 1 shows (a) multidimensional poverty Index, that is percentage of the population that is multidimensionally poor adjusted by the intensity of the deprivations; (b) population below ppp $1.25 a day, that is percentage of the population living below the international poverty line of $1.25 (in purchasing power parity terms) a day; (c) population below national poverty line, that is percentage of the population living below the national poverty line, which is the poverty line deemed appropriate for a country by its authorities.

Table 1. Multidimensional poverty index (mpi) and population below income poverty line

Country	Multidimensional Poverty Index Year	Multidimensional Poverty Index Value	2002-2011 Population Below Income Poverty Line	
			PPP$1.25 a Day (%)	National Poverty Line (%)
Burundi	2005 (M)	0.53	81.3	66.9
Kenya	2008/2009 (D)	0.229	43.4	45.9
Rwanda	2010 (D)	0.35	63.2	44.9
Tanzania	2010 (D)	0.332	67.9	33.4
Uganda	2011 (D)	0.367	51.5	31.1

(D) indicates data are from Demographic and Health Surveys, (M) indicates data are from Multiple Indicator Cluster Surveys). Source: (UNESCO, 2012--World Development indicators 2012.

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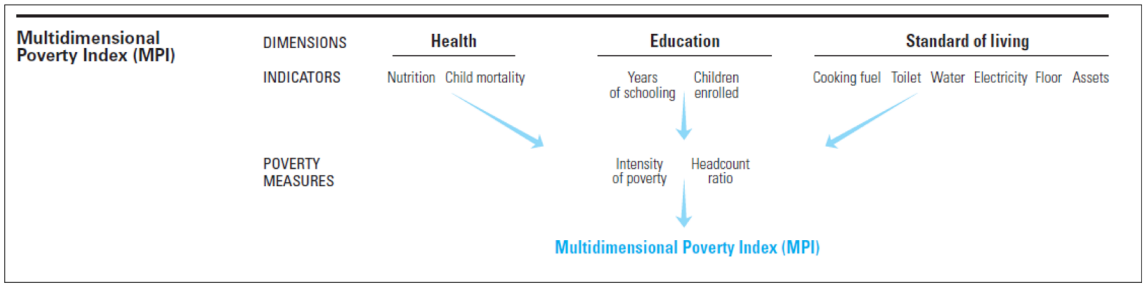
These national estimates are based on population-weighted subgroup estimates from household surveys, including ICF Macro Demographic and Health Surveys, United Nations Children's Fund Multiple Indicator Cluster Surveys, and World Health Organization World Health Surveys conducted between 2000 and 2010 (World Bank, 2012). Generally, the Human Development Index (HDI) is a summary measure of key dimensions of human development (Barro & Lee, 2013). HDI measures the average achievements in a country in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. Klugman, Rodriguez and Choi (2011) emphasize that the HDI is the geometric mean of normalized indices that represents each of these three dimensions. In addition, the Multi-dimensional Poverty Index (MPI) identifies multiple deprivations at the individual level in education, health and standard of living (Alkire & Santos (2010; Alkire, Conconi, and Roche, 2012). (See Figure 2). MPI uses micro data from household surveys, and—unlike the Inequality-adjusted Human Development Index—all the indicators needed to construct the measure must come from the same survey.

However, few attempts have been made to use the data to generate broader measures of well-being and deprivation (Ravallion & Chen, 1997). Approximately, 1.2 billion people globally expend less than a standard; "dollar-a-day"; and are in "dollar poverty"; 44 percent in South Asia; about 24 percent each in Sub-Saharan Africa and East Asia and 32 percent in Latin America and the Caribbean. Almost 75 percent of people who live on a dollar a day worked in rural areas in 2001 (Rahman & Westley, 2001). For the rural population of Sub-Saharan Africa as a whole, the figure was over 200 million people (also 6%). Of the 66 developing countries with the highest levels of poverty, over half are in Africa (Rahman & Westley, 2001). Since by most definitions, a large proportion of Tanzanians are "poor" it makes some sense to focus the discussion on "absolute" (extreme) poverty rather than relative poverty.

THEORETICAL CONSIDERATIONS

The literature on poverty can be divided into theoretical and empirical approaches. First, theoretical approaches focus mostly on the types of poverty or different social aspects of poverty. Empirical literature investigates evidence of the relationship between underlying variables based on observed statistics. For example, Ellis (1984) took a theoretical approach to describe different types of poverty. The nature of poverty was examined in relation to a model of causes affecting the welfare of a community, suggesting that it is possible to operationally distinguish among four major dimensions of poverty: economic, social,

Figure 2. Multi-dimensional poverty index. source: human development report, 2013 (UNESCO, 2012).



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political, and legal. The study also discussed further aspects of poverty, stating that the classification of poverty into different types can help in understanding the problems faced by the community.

Ravallion (2003) describes the techniques used by the World Bank to measure poverty. The selected common poverty line (US$1 a day) typically prevails in low-income countries. This poverty line is converted into the local currency for consumption surveys by using purchasing power parity (PPP) exchange rates. Ravallion (2003) explains how different measures used for poverty or any other variable can lead to dissimilar results; if the approaches used are different, then their results cannot be considered legitimate.

Squire (1993) reviews efforts to reduce poverty in the developing world. The study uses country- and regional-level figures for poverty headcount, growth, and health measures to compare these efforts, concluding that (a) economic growth should be encouraged to induce the productive use of labor so that the poor can earn to escape poverty, (b) public spending is an important source of improving health and educational attainment among the poor, and (c) the provision of subsidized social services is better than direct cash transfers. The study does not use an estimation model to observe the effects of social indicators such as education and health on poverty.

Harper, Marcus, and Moore (2003) provide a comprehensive review of the literature on poverty reduction. Their discussion covers a number of key social processes that affect poverty. They also highlight the significance of education as a means of poverty reduction, and argue that a good-quality formal education widens horizons and increases future employment opportunities. They conclude that education can facilitate upward economic and social mobility, a better- paying and safer job, and general wellbeing. This finding confirms the importance of education in breaking different aspects of the poverty cycle, ranging from individual earning to parental and family effects.

The literature review leads us to some important conclusions. For example, education can increase an individual's earnings by enhancing productivity and thus can significantly help reduce poverty. Second, the impact of education on poverty does not work only via income or a productivity mechanism (direct impact) but also through a number of externalities (indirect impact), e.g., through reduced infant mortality, better decisions, improved health and parental education, etc. Third, the impact of determinants of poverty can vary across regions due to a number of factors including economic circumstances, labor market requirements and the level and quality of education.

As shown previously an increase in the illiteracy rate is expected to be positively correlated with poverty, whereas an improvement in health indicators should be inversely related to poverty. Table 2 compares literacy rates in the East African Community countries. As a result of national economic liberalization in Tanzania, rates seem to have risen in 2010 and beyond.

This phenomenon shows that both the level of GDP per capita and its rate of growth are expected to be negatively correlated with the poverty rate. However, the effect of real exchange rate depreciation

Table 2. Adult literacy rate, 1988-2010

Year \ Country	Burundi	Kenya	Rwanda	Tanzania	Uganda
2000-2002	59.30	82.23	64.89	69.43	68.14
2010	67.16	87.40	71.05	73.21	73.21

Source: World Bank Open Data, April 2014 at http://data.worldbank.org

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is in general ambiguous; it is likely to lead to a reduction in poverty if it benefits small farmers in the tradable sector, as is the case in many low-income developing countries.

A higher rate of urbanization also has in general an ambiguous effect on aggregate poverty; to the extent that rural-to-urban migration translates into greater access to public services in urban areas, it may lower poverty; but to the extent that inflows of workers in the urban sector lead to an excess supply of labor in the informal sector and lower wages there, it may increase poverty (Harper et al., 2003). An improvement in the terms of trade may reduce poverty if it represents an increase in the relative price of agricultural commodities (thereby benefiting small farmers in rural areas) or a fall in the price of imported consumption goods (benefiting mostly households in urban areas). According to the World Bank 92014, Urbanization has a positive sign and is significant in some regressions so we can say that inflows of workers in the urban sector lead to an excess supply of labor in the informal sector and lower wages there and as a result it increases poverty.

Women's Grassroots Initiatives Underscore Self-Reliance

The case of the *Jitahidi* women is not unique in Africa. In recent years, grassroots initiatives that empower women and marginalized groups to address poverty in Africa are found everywhere from literacy/numeracy to vocational training among rural women (Chucks, 2004). They are also actively pursued in adult education initiatives and the empowerment of civil society (Maruatona, 1999), and in social and political change movements (Lodge, 2013), or human rights (Gillespie & Melching, 2010). These initiatives reinforce the assumption that adult education and civil society are historically linked to the positive roles adult education plays in empowering men and women in emerging and middle income economies worldwide (Maruatona, 1999).

While many civil society organizations broadly support the global partnership that the U.N. Goals encapsulate, there are civil society organizations which have expressed reservations about the MDG strategies arguing that the Goals are 'top down', and imposed by the international community, rather than locally developed (Maruatona, 1999). There is uncertainty about the community's role in achieving the Goals. Skeptics seem to suggest that the U.N. Goals are too narrow and unambitious, especially in comparison to the U.N. Millennium Declaration, leaving out critical issues. For example, the Goal for gender equality falls short of the aims set in the Platform of Action at the U.N. Conference on Women (UN, 1996), to which governments around the world are committed (UN, 1996). In spite of such criticism, most of the NGOs that support women's empowerment have spent years dedicated to the broader objectives that the U.N. Goals represent, namely: promoting gender equality and fighting poverty, hunger, illiteracy, disease, and environmental degradation.

The Capability Approach

The *Jitahidi* Women's goal of promoting empowerment in grassroots organizations, and the insistence of key institutional policy and political interactions is rooted in the larger conception of development and empowerment. As such, it is framed in a particular understanding of the 'capability approach'. This approach has in recent decades emerged as a novel theoretical framework about well-being, development and justice. In fact, the capability approach is one of the foundational building blocks of Amartya Sen's paradigm of 'development as freedom' (Sen, 1999).

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The capability approach is a theoretical framework that entails two core normative claims: first, the claim that freedom to achieve well-being is of primary moral importance, and second, that freedom to achieve well-being is to be understood in terms of people's capabilities. This refers to people's abilities and the opportunities they have to do or manage their own affairs. The case of *Jitahidi* Women aligns with some of the theories and understanding of human development that the philosophy of '*capability approaches*' embraces. By addressing poverty, inequality and wellbeing, the capability approach influences the human development language that is visible in the Millennium Development reports and has had a great influence on policy processes around the developing world.

The capability approach has been developed in a variety of more specific normative theories, such as (partial) theories of social justice or accounts of development ethics. It has also led to a new and highly interdisciplinary literature in the social sciences resulting in new statistics and social indicators, and to a new policy paradigm which is mainly used in development studies, the so-called 'human development approach'(Stanford University, 2011).

Habermas (2005) and Fultner, 2011 called this human development potential the constitutive capabilities individuals have that enable them to control the physical world, interact and relate with it, as well as gain autonomy over individual affairs. When individuals can exert such constitutive capabilities, they are said to be 'empowered.' However, over the decades, the term "empowerment" has been overused to the extent that it is reduced to a slogan that means little of substance. (Way, 2011). As explained in the *Pedagogy of the Oppressed*, Freire (2002) contended that the underlying tenet of this way of thinking about "empowerment" is that the "disempowered" already know a great deal about the sources of their oppression and what must be done to overcome it (p. 88). What they do not have is an organized approach to translating this knowledge into action. The appropriate educational response is therefore one that elicits participants' knowledge and responses. Freire calls this educational method "problem-posing" (p. 9).

Ensuring the necessary conditions for a transformative approach to capability enhancement also depends on providing the means to have a say in the process of policy-making and taking action to make changes (Dugan 2003). Freire's approach was aligned with "transformative" learning theory, which was developed over 20 years ago. Transformative learning involves participation in constructive discourse to use the experience of others to assess reasons justifying the assumptions people make, and taking action based on the resulting insights. In essence, transformative learning theory's focus is on how we learn to negotiate and act on our own purposes, values, feelings and meanings rather than on those meanings we have uncritically assimilated from others. Mezirow (2002) suggests that to be transformed is "to gain greater control over personal lives as socially responsible and clear-thinking decision makers" p. 11).

JITAHIDI WOMEN IN TANZANIA

The *Jitahidi* story chronicles events, motivations, and practical initiatives of women in development which represent a small entrepreneurial group, organized with shoe-string budgets. This micro case of the women signifies the majority of global poor who live in rural areas with an important fraction of their expenditures spent on staple food. They have little assets such as access to land, credit, high yield seeds, or pests control remedies. In their midst are farmers who lack education and face lots of interconnected, multidimensional obstacles that make it impossible to escape the poverty trap.

Mapping out the multi-dimensions of poverty that continually face the *Jitahidi* women is critical to understand the challenges they confront in their attempts to engage local women to alleviate household

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poverty through grassroots initiatives. The women's goal was to organize women's collective strength that could unleashe their lives and strength from oppressive economic regimes, patriarchal traditions, gender inequality, gender discrimination, and socio-historical legacies (e.g., inheritance laws) that exploit women everywhere. To implement this vision, the women embarked on what is known in Tanzania as "self-reliance enterprises. In Tanzania, "Self-reliance," which is locally known as "*Kujitegemea",* was a movement of the late 1960s and early 1970s, at a time when the policy of 'Education for Self-Reliance' was at its peak (Nyerere, 1967). Nyerere emphasized:

What we do have is land in abundance and people who are willing to work hard for their own improvement. It is the use of these latter resources which will decide whether we reach our total goals or not. If we use these resources in a spirit of self-reliance as the basis for development, then we shall make progress slowly but surely. And it will then be real progress, affecting the lives of the masses, not just having spectacular show-pieces in the towns while the rest of the people of Tanzania live in their present poverty. . . . It is therefore the villages which must be made into places where people live a good life; it is in the rural areas that people must be able to find their material well-being and their satisfactions (p. 14)

This policy urged Tanzanians to reconsider the purpose of education and to rely on their own tangible and intangible resources at their disposal to bring about national development. In practice however, self-reliance fosters empowerment and is assumed to include the engagement of people of all ages in programs for economic development instead of relying on outsiders.

The background and context of *Jitahidi* women sum up a four-part agenda that provided women with incentives and abilities to run larger enterprises in higher value-added economy within the formal sector. The *Jitahidi* venture pulled together individual efforts of some women in Northern Tanzania who realized that most of the produce (including grains) they brought to the market-stalls to sell ended up getting spoiled because of short shelf life. They then would incur heavy losses. To reduce losses in the long term, the women established a cooperative venture under the leadership of the Director of Women in Development (WID) groups in Northern Tanzania.

INSIGHTS FROM THE 2009—2012 SURVEY

Table 3 gives a sense of the economic and social profile of the women who joined *Jitahidi.* The women came primarily from rural areas. As indicated, generally, the urban sector consists of only 26 percent of the overall population. Other demographic characteristics show low literacy rates and low incomes in terms of GDP (World Bank, 2011) and generally confirms the plight of the women in general.

Most of the women (81%) had completed seven years of schooling, 8% had completed nine years (Form 2; i.e., 2 years of secondary school) and 11% had completed twelve years (Form 4.) A majority (54%) of the women primarily used cell phones in their business communication, whereas somewhat fewer (46%) used face-to-face communication (including travel) as their primary means of business-related communication. Cell phones, while not the primary way of conducting all business communication, were, nevertheless considered important to carrying out business by a vast majority (96%) of these women agro-entrepreneur respondents. Somewhat less than half (44%) of the women's business relationships involved buying produce, 10% involved selling, bartering and lending money. Nearly half (48%) of the business relationships involved personal favors between the individuals involved (Semali, 2011).

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Table 3. Economic and social context of Tanzania, 2008

Economic and Social Context	Value
Population (total, million)	42
Urban population (% of total)	26
GNI per capita, World Bank Atlas method (current US$)	440
GDP: Gross domestic product (million current US$)	20,745
GDP per capita (current US$)	459.9

Source: Semali, 2015.

JITAHIDI WOMEN'S ENTERPRISES TO ALLEVIATE HOUSEHOLD POVERTY

To develop the capability and to strengthen the potential and empowerment of *Jitahidi* women, an important addition to the structure and conduct of business among the Women was implemented, namely, the development of a safe, cohesive and empowering group climate which helped to promote the goals of the group. This structure however was not automatic but rather a conscious trial and error effort to encourage the members to talk, to tell their story of how to combat the many faces of poverty. This approach was introduced by the Director of Women in Development in the region. She insisted on allowing every individual to express oneself freely.

This practice set the tone of how the cooperative and its leaders must operate. In this case study, the *Jitahidi* example provides an instance of social change that embraces the capability approach to augment years of gender inequality and poverty. Consequently, the *Jitahidi* Cooperative took the capability approach seriously. Members felt that the cooperative movement gave women the opportunity to improve their conditions within a safe and supportive atmosphere. One of the basic principles of operation that was established early was the freedom to speak one's mind and to have one's ideas heard and valued. These creative ways to emphasize communication allowed the women to begin with ease the process of transformative empowerment. The aim was to recognize Tanzanian women as active custodians of Indigenous knowledge and active contributors to the economy and wellbeing of the family" (Jagire, 2014: 169).

Historically, women in Tanzania have been disempowered, disenfranchised and denied basic education. In addition, historical social structures have posed formidable barriers. For example, gender differences in legal status and capacity, particularly for married women, affect women's access to and control of assets and resources required for entrepreneurship. Education and business experience are important drivers of economic choice, opportunity and performance. Lack of access to finance was a formidable obstacle to business development. Women's limited opportunities for networking and exclusion from decision-making bodies and from policy dialogue, especially in the business environment, meant that business climate reforms rarely tackled issues for women entrepreneurs (Hallward-Driemeier, 2011, p. 8).

In Tanzania as well as some African countries, women continue to be excluded from schools and from higher education. Actually, not so long ago in some communities in Tanzania, women were denied schooling until recent years (Jagire, 2014). For example, a number of economic, social and cultural influences have contributed to the curtailment of women's capability and potential; and thus disempowering girls and women. As it seems to be the case in Tanzania, as well as other African countries with strong oral traditions, disempowering influences include many things.

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Examples of disempowering practices abound, like separation of the sexes to privilege boys and men over girls and women, the perpetuation of cultural ideologies that promote or glorify traditional stories of gender inequality, myths about who can own land and receive inheritance wealth. In the public media, one finds songs that focus on women's beauty or other physical attributes but not their human rights or intelligence; and a proliferation of media stories or skits that have served to ensure male dominance in the home, office, and sexual relationships. These unequal exploitive gender practices remain unexplored and their contextual influences or impacts on the lives of girls and women are virtually unknown or simply covertly brushed aside (Hallward-Driemeier, 2011).

The indoctrination of girls into traditionally defined gender roles, particularly girls who are unable to pursue higher education, is both strong and persuasive, leaving young women with little awareness of the extent to which these external pressures, expectations, and restrictions limit their capability for self-reliance, career choices, social behaviors or overall women's horizons. Because these gender expectations and practices are widespread in Tanzania as well as in other parts of Africa, the *Jitahidi* Women's Cooperative intuitively realized that at the epicenter of these negative expectations and exploitation of women is *poverty* and *economic* dependency and a lack of *basic education* sufficient to confront oppressive encounters. Therefore, the capability approach was critical and central to the sustainability of *Jitahidi* women as an empowered collective.

Women's Business Ventures

The small steps the cooperative took and commitment made grew to several enterprises that included raising pigs, chickens, and new ventures to grow mushrooms, spinach, cabbage, tomatoes, carrots, and other household vegetables. The markets in the town of Moshi and big cities of Dar es Salaam, Arusha and Mwanza saw a surge of improved and steady supply of vegetables and fruits, some of which, like avocadoes had not been brought to the market before. Importation of spinach, apples, eggplants, lentils and fruits from South Africa has in recent months fizzled, and most of the products found in the market are grown locally. (See Figure 3).

Other women invested in the purchase of avocadoes from farmers and transport them to various cities in Tanzania or sell to small scale retail vendors. (See Figure 4 and Figure 5).

Other teams of women built storage tanks with large capacity to store two tons or more of maize between the growing seasons. As a result, they can sell maize in the off-season period with large profit margins. To date, they own two of such storage tanks. Reports indicate that last year the women were contracted to supply the United Nations High Commissioner for Refugees (UNHCR, 2011) with maize that was exported out of the country, thus fetching them the much needed revenues (Loewenberg, 2011).

Even though the *Jitahidi* women are modest when it comes to discussing their successes, a quick appraisal of their progress shows immense improvement. A recent report submitted to one of the funding agencies of *Jitahidi* projects, as explained by the Director, showed that the progress they made matches results from similar cooperatives in Northern Tanzania where monthly cash earnings doubled from 50,000Tanzania Shillings (Tsh.) to over 150,000 ($50 to $150 U.S. Dollars). In fact, cash savings tripled, and short-term expenditures and durable assets increased 30 to 50% relative to where they were at the beginning of the cooperative in 2008. In spite of these gains, there was no immediate effect on women's independence, status in the community, or freedom from intimate partner violence. This reality was explained further by the women saying: "Attitudes take time to change."

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Figure 3. Jitahidi Women selling fruits and vegetables



Figure 4. Jitahidi Women purchase avocadoes from farmers



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Figure 5. Jitahidi Women loading avocadoes on trucks



However, issues of domestic violence, teen-age marriages, and female circumcision are topics frequently broached and spoken out openly by *Jitahidi* women at public meetings. As a result, today teen-marriages have been listed as a nation's tragedy and discussions on concerns on underage marriage is regularly featured in the daily press (Makoye, 2013). However, we see little evidence that more inclusive role for males in the household leads to better empowerment or economic success, although promising improvement in partner support and relationships were observed and acknowledged by the women.

The fundamental role of grassroots organizations, like *Jitahidi*, lies in mutually reinforcing personal and collective capabilities. However, the opportunity to live a good life depends extensively on the social determinants of the relevant capabilities. It is in this context that policy and programming at the national and supra-national levels, along with the work done by civil society organizations (CSOs) at the local level can influence the social alternatives women have, and more broadly their quality of life and wellbeing.

The *Jitahidi* Cooperative organized regular meetings to utilize group dynamics approaches to social justice and empowerment with the purpose to raise women's awareness of social and cultural issues and contexts in which they live, and how these contexts influence or persist to impact their plight in poverty and diseases, HIV/AIDs in particular. The first step towards achieving the goals of the group was the development of an "empowering group climate" which included free expression and exchange of opinions and ideas, a strong sense of cohesion and support, and a collaborative, non-authoritarian relationship between group leaders and group members. These principles were brought to bear during seminars conducted by *Women-in-Development* (WID) Office. The WID seminars and regular visits to members' projects by *Jitahidi* leadership were not only additive to the function of the cooperative but also transformational. Transformation was explored through identifying interconnected practices: visioning, reframing, human rights in local discursive practices in problem-based contexts, and creat-

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ing critical capacity and consciousness through connecting participants to a larger discourse on human rights in Tanzania and beyond.

The reasoning behind interconnected practices was is quite simple: When household income is generated and managed by women, it is likely to be used for children's school fees, uniforms, books and school supplies as well as for medical care, better quality food for the family and improvements to the home environment. This quality of life improvements results in fewer children's missed days of school and more years of schooling for children (Commission, 2005). The good outcome of having a sustainable livelihood becomes to discourage early marriage and the resultant pregnancies that frequently result in poor maternal outcomes for young girls. As confirmed by many researchers, the education of girls is the best strategy for reducing infant and child mortality, a critical issue in most developing countries (Bloch & Beoku-Betts, 1998).

Even though these women entrepreneurs were not representative of the population of Tanzania, they represent a possibility for a "capability" and empowerment model for women in other parts of East Africa. Examination of their practices was important to define the possibilities for other women in developing nations seeking poverty reduction, or working to increase literacy rates, and desiring to master and apply post-literacy skills for social change. Thus, this case of *Jitahidi* women entrepreneurs provides a micro-analysis of financial market imperfections and it is just one episode from a larger social science networks study that is ongoing in Northern Tanzania since June 2008 (Semali, 2011). Empowerment was being realized by individuals as they regained their voice in the community and engaged other women in the business they conducted every day at the markets.

CONCLUSION

The main objective of this case study was to investigate the story of *Jitahidi* women in Tanzania to understand the dynamics of poverty reduction projects at the grassroots level. The study took note of the theoretical assumptions that inform the women's entrepreneurial enterprise that was deliberately undertaken by WID Tanzania with the *Jitahidi* leadership to overcome household poverty among individuals, particularly women with little or no basic education. The rationale was that the ability of women in Africa to sustain livelihoods of their households will occur largely through small, agriculture-related enterprises in which the optimal use of recent technological developments of mobile phones and social networks may result in increased income and quality of life for women (Semali & Asino, 2013).

Insights from this case study provide introspection to what is going on in women's development and their business relationships. The use of cell-phones was quite prevalent and the researchers suspected that perhaps it would not be possible to establish *Jitahidi* without the facility and easiness of access to mobile phone communication. It seems that these women have learned innovative ways of using ICTs to advantage their businesses as well as strengthening their networks. As new applications begin to rapidly emerge on the market, such as access the Internet, Google maps, and instant upgrades and multiple applications, cell-phone communication is almost taken for granted, since the women swap telephone numbers frequently.

Likewise, the emphasis of transformative practices aimed to strengthen visioning, and reframing human rights in local communities as well as problem-based contexts, increased the critical capacity and consciousness of the *Jitahidi* women judged by what they were able to accomplish. In practice, grassroots enterprises were aimed to assist new members during monthly seminars to overcome literacy barriers

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and to name barriers created by restrictive gender relations in the home and in social and civic engagements. The step by step approach helped the women to identify barriers that impact adolescent young women in general and *Jitahidi* cooperative members as individuals. In addition, the practices encouraged women to envision how the cooperative can mitigate against women's exploitation.

The case of the Jitahidi women informs the design of subsequent projects intended to assist women escape poverty trap of extreme household poverty in rural villages of Tanzania and beyond. The initial idea underlying this case that brought us in contact with the *Jitahidi* women was to gather information about the business climate among women who live in rural areas and to use that information to organize these women to form a cooperative. The questions that pave the way forward to future investigations are: What can policymakers and educators do to facilitate and improve the use of mobile phones as a tool to redress extreme poverty or to enhance women's knowledge of the environment they live in? What can women do to leverage the economic boom for their advantage to improve the agricultural sector? What is the nexus between having access to communication and poverty alleviation?

These issues call for research studies that expose further the potential of poverty alleviation. There is every chance that the dialogical way of thinking introduced by WID can create space for all women and empower Tanzanians to define their own economic, social and educational needs; and hopefully create political organizations within the local community that spearhead national development. And more importantly, women can become stronger partners in development as Tanzanians implement the next level of MDGs.

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Chapter 67
Impact of Microfinance on Poverty in the Context of Global Financial Crisis:
A Cross Country Analysis in South Asia

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ABSTRACT

The microfinance programme in the South Asia region has proven to be resilient to the shocks of global financial crisis. In fact, cross country experiences in South Asia reveal little impact of the global financial crisis on the penetration of the microfinance programmes to poor households. To explore the impact of microfinance on poverty in the backdrop of global financial crisis, an attempt has been made in this present study to examine the relationship between MFI's gross portfolio per active borrower and the measures of poverty. Empirical evidences based on Pooled Regression Analysis suggest that gross portfolio per active borrower is negatively and significantly associated with the poverty head count ratio or poverty gap measure, which is consistent with the author's hypothesis that micro loans reduce poverty. The poverty alleviation role of microfinance in South Asian countries is not changing its dynamics even in post-crisis scenario.

INTRODUCTION

Microfinance, as an instrument of doorstep financial services, is considered as a well-designed institutional innovation to ensure a substantial flow of credit to collateral poor households. However, it is widely believed that microfinance programme is not a panacea to alleviate poverty from grass root level; rather it is considered only as a means to address the problem. Microfinance intervention expand the access to resources, increase self-employment opportunities and thereby, reduce poverty, provided a proper government initiatives are taken in the direction of social mobilization, capital formation, capacity building and pro-poor programme design (Burra, Murthy & Ranadive, 2005). Without an effective intervention in a

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pro-poor macro policy environment, no such micro policy intervention can be successful in alleviating poverty (Islam, 2009). Microfinance programmes in Asia and Pacific countries are found to be successful in extending the services to the poorest sections of the population. Nearly 62 percent of the members covered under such programmes are poor women in this continent (Maes & Reed, 2012). Historically, Bangladesh dominates among the countries of South Asia in terms of microfinance outreach and share of total borrowers. The Grameen Bank of Bangladesh is a well known people's institution for the poor women promoting small scale production by extending microcredit. Taking the lessons from Bangladesh, micro finance programme has been emerging in a big way in other countries of South Asia. In particular, Sri Lanka and Nepal has achieved a considerable success recently in expanding the outreach of micro finance institutions to promote socio-economic development of the poor households.

The institution of microfinance in South Asia is proven much more resilient to absorb the stock of global financial crisis in the late 2007 than are often presumed. Micro finance institutions (MFIs) linked into the formal financial system, in fact, suffered more. Available empirical evidences in the literature suggest more robust correlations between microfinance's performance and economic conditions in domestic and international sectors after the emergence of crisis. In particular, MFIs in Central America and the Caribbean, Eastern Europe and the Middle East and Central Asia appear most sensitive to changes in the domestic and international economic environment (De Bella, 2011). Interestingly, the overall impact of crisis in South Asia has been limited due to the implications of proactive measurements of governments in those countries (Dohulilova, 2009). Under this backdrop, an attempt has been made in the study to explore the cross-country evidence of microfinance penetration among the poor across major South Asian countries over a period of time 2000-12. The plausible implications of global financial crisis on the relationship between MFI's gross loan portfolio per borrower and poverty indices is a particular interest in this paper. For convenience, the paper is divided into five sections. The next section survey the existing literature with an emphasis on the macro economic perspectives of the problem. A section is devoted to develop a conceptual framework to consider an association between microfinance outreach and poverty reduction in the perspective of global financial crisis. The section on data and methodology consider the selection of dependent and independent variables in the empirical specification of Pooled Regression Analysis. The section on results and discussion examines the outreach of microfinance programme to poor households in South Asian countries. In addition, an attempt has been made in this section to examine the implications of global financial crisis on the outreach of microfinance on poor. The concluding remarks and future direction of research appear in the last section.

SURVEY OF LITERATURE

In the existing literature, the impact of microfinance on poverty has relied on micro-level evidences on country specific household level data (Morduch, 1999; Mosley, 2001; Khandker, 2005; Imai, Arun & Annim, 2010). It has been argued that financial development disproportionately boosts the income growth of the poorest quintile, reduces income inequality and thus strongly associated with poverty alleviation (Beck, Demirguc-Kunt & Peria, 2006). This argument is further substantiated by the fact that the access to banking network is negatively associated with the level of poverty. Over the period 1961-2000, the expansion of rural branches significantly lowered the level of rural poverty in India (Burgess, Pande & Wong, 2004; Pande, 2004). However, the empirical findings of the studies remains mixed due to different outcome measure of microfinance and different methodologies adopted by these studies. While some of

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the studies establish the proposition of poverty reducing impact of microfinance through expanding the access of resources, enhancement of employment opportunities and alleviation of feminization of poverty (Khandkar, 2005; Burra et al, 2005; Imai et al, 2010; Devi, Prabakar, & Ponnarsi, 2011), the others argued the little impact of microfinance on poverty (Hulme & Mosley, 1996; Rosenberg, 2010). However, macro economic studies based on cross-country evidences on the poverty reducing role of microfinance are rather limited in the literature. Scarcity of reliable data often cited as the barrier in addressing the problem in macro perspective (Imai et al, 2012). A few notable contributions in this direction are Lapenu & Zeller, (2001); Weiss, Montgomery & Kurmanalieva, (2003); Shastri, (2009); and Imai et al, (2012). The macroeconomic perspective of the problem has helped us in understanding the likely implications of global financial crisis on the sustainability of microfinance in general and poverty alleviation role of microfinance in particular. In the literature, the financial stability aspects of microfinance in the face of financial turmoil are debatable. Some have argued that the microfinance is vulnerable to financial crisis as MFIs are now more closely linked to global financial markets than before (Magnoni & Powers, 2009; Di Bella, 2011; Wagner & Winkler, 2012). On the other, some of the optimistic opinion reveal that microfinance in some regions are largely immune to fluctuations in international financial markets (Littlefield & Kneiding, 2009; Dohulilova, Janda & Zetek, 2009).

MICROFINANCE OUTREACH AND POVERTY REDUCTION IN THE CONTEXT OF GLOBAL FINANCIAL CRISIS: A CONCEPTUAL FRAMEWORK

The differential impact of global financial crisis on financial institutions in developed and developing countries can be conditioned upon the level of integration of each domestic economy to the global financial system. MFIs are not so different from traditional financial institutions in many ways. This is why the financial crisis led to problems surfacing at MFIs that were quite similar to those faced by traditional financial institutions (IFC, 2013). The development of microfinance sector is crucially dependent on different sources of funding: domestic, foreign or savings (Gonzalez, 2011). Local sources of funding in Indian MFIs have protected them to the liquidity crunches owing to the contraction in inflow of foreign remittances in the economy. However, withdrawal of deposits and savings in the environment of financial risk may put a heavy pressure on domestic source of funding. In the pre-crisis situation, the rapid growth of micro credit was driven by the fostering financial inclusion without raising series sustainability and stability concerns (Gonzalez, 2010). Financial inclusion policy of the government was badly affected in the post crisis scenario by declining growth in borrowers (breadth of outreach) and loan size (depth of outreach). Lack of demand for goods and services in the real sector of the economy in the post crisis situation has resulted in reduced demand for loans for productive activities vis-à-vis increased demand for loans for consumption-smoothing purposes. Fear of repayment of loans by the poor borrowers often compelled the MFIs to adopt a policy of rationing of credit for consumption purposes, and even for productive purposes in agricultural sector. The complex process of interaction of the events ultimately worsens the profile of poor households in the economy.

However, in order to understand the potential impact of microfinance on poverty, the group of 'the poor' should be differentiated into long-term or 'chronic poor' and the 'transitory poor' or temporary poverty as a result of adverse shocks. Within the chronic poor category, one can further distinguish between the 'destitute' i.e., those who are physically or socially disadvantaged and the 'non-destitute" i.e., those who are poor because of lack of assets and opportunities. Further, within the 'non-destitute'

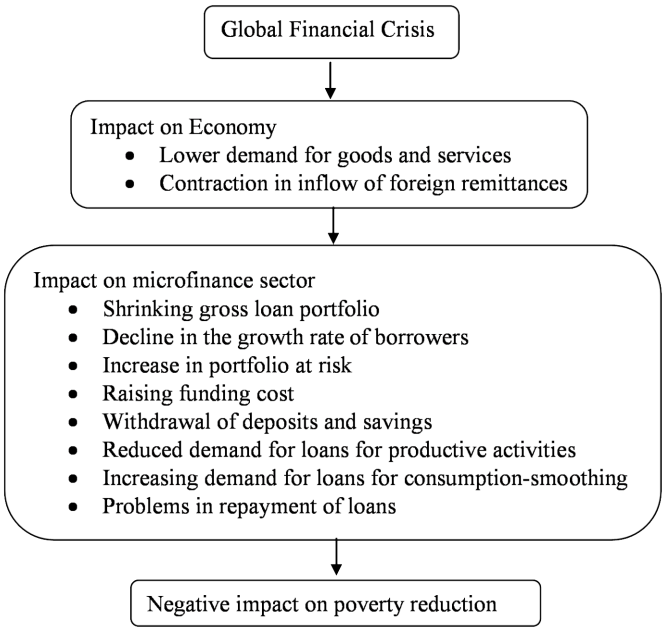
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category, there is a group of 'core poor' who has irregularity of income and thereby is considered to be most vulnerable according to the depth of poverty (Weiss et al, 2003). The microfinance programmes is expected to address the problems of chronic (non-destitute) poor and the transitory poor. Access to microfinance can serve the purpose of both 'promotional' or income creating role to the chronic poor and 'protectional' or consumption smoothing for transitory poor households. However, the distinction of the poor according to their needs is sometimes myopic in nature and thereby found practically infeasible. In practice, it has been empirically established that the poorest of the chronic poor (the core poor) generally borrow for protectional purposes due to their irregularity of income. These groups of people are observed to be so risk averse that it is not possible for them to borrow for promotional measures with an expectation of enhancement of income in future. However, the causal link among microfinance outreach and poverty alleviation in the context of global financial crisis is depicted in the Figure 1.

DATA SOURCE AND METHODOLOGY

The study is exclusively based on the available secondary data sources. Data on number of active borrowers, gross loan portfolio covering six countries of South Asia is collected from data generated by Microfinance Information Exchange (MIX). Also, the study uses the World Bank poverty estimates across countries of the world. These poverty estimates are based on the poverty line of US$1.25 and US$2 per day covering a period of 2000-12. World Development Indicators provides numerical estimates of head count ratio and poverty gap measures across countries based on these two stipulated poverty lines. Unavailability of poverty estimates for all the years is mainly because of the construction of international poverty estimates is relied on the national wide household expenditure or income surveys which are carried out once or twice in a decade for most of the developing countries (Imai et al, 2012).

Figure 1. Linkage between global financial crisis and poverty through microfinance outreach



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It is held that microfinance does not necessarily reach the poorest of the poor (Morduch, 1999). In this context, the study attempts to examine the effects of gross loan portfolio per active borrower on incidence of poverty (measured by head count ratio) and the depth of poverty (measured by poverty gap). To examine the impact of microfinance on poverty, an attempt has been made in this present study to examine the relationship between MFI's gross portfolio per active borrower and the measures of poverty. The empirical specification is given as follows:

$$Pov_{it} = \beta_0 + \beta_1 GDP_PC_{it} + \beta_2 GLP_PB_{it} + \beta_3 Domestic_Credit_{it} + \beta_4 Year_{it} + u_{it}$$

where i is the ith country and t is the time period of the variable. The dependent variable, Pov indicates poverty head count ratio or poverty gap ratio of the country. The explanatory variables and hypothesis (as specified by expected sign) are presented in Table 1. Descriptive statistic of dependent and explanatory variables is presented in table 2 and the correlation matrix interpreting association between selected variables is represented in table 3.

The country specific economic factors those are expected to influence the impact of microfinance on poverty have been identified: economic status of the country measured in terms of gross domestic product of the country, average loan provided to active microfinance borrowers of the country and access of domestic credit of banks in the country. The impact of global financial crisis is captured by using an independent dummy variable. We have applied both Pooled Ordinary Least Squares and Random

Table 1. Expected sign of the determinants to examine the influence of microfinance on poverty

Independent Variables	Notation	Description	Poverty Measures
Gross domestic product	GDP_PC	Per capita Gross Domestic Product	–
Gross loan portfolio	GLP_PB	Average loan portfolio per active borrower	–
Domestic credit	Domestic _Credit	The share of domestic credit to GDP	–
Time period	Dummy_Year	Dummy variable, 1 if the time period under consideration is after global financial crisis and, 0 otherwise	+

Table 2. Descriptive statistics of dependent and independent variables

	Pov_1	Povg_1	Pov_2	Povg_2	GDP_PC	GLP_PB	Domestic_Credit
Mean	50.80	14.67	80.40	34.70	436.58	82.29	51.68
Standard Error	4.42	2.15	2.28	2.60	55.27	21.76	9.31
Median	50.50	14.20	80.30	34.30	421.12	66.73	54.91
Standard Deviation	7.65	3.73	3.95	4.51	95.74	37.69	16.13
Sample Variance	58.51	13.89	15.61	20.32	9165.62	1420.80	260.10
Skewness	0.17	0.56	0.11	0.39	0.71	1.54	-0.87
Range	15.29	7.41	7.90	8.99	189.59	70.40	31.77
Minimum	43.30	11.20	76.50	30.40	349.51	54.88	34.18
Maximum	58.59	18.61	84.40	39.39	539.10	125.28	65.94

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Table 3. Correlation matrix

		POV_1	Povg_1	Pov_2	Povg_2	ln_GDP_PC	ln_GLP_PB	Domestic_credit
POV_1	Pearson Correlation	1	.973**	.939**	.998**	-.824**	-.889**	.064
	Kendall's tau_b	1.000	.978**	.912**	1.000**	-.714**	-.670**	-.011
	Spearman's rho	1.000	.996**	.969**	1.000**	-.842**	-.842**	-.042
Povg_1	Pearson Correlation	.973**	1	.844**	.962**	-.814**	-.832**	-.044
	Kendall's tau_b	.978**	1.000	.890**	.978**	-.736**	-.692**	.011
	Spearman's rho	.996**	1.000	.965**	.996**	-.846**	-.851**	-.029
Pov_2	Pearson Correlation	.939**	.844**	1	.957**	-.800**	-.870**	.182
	Kendall's tau_b	.912**	.890**	1.000	.912**	-.626**	-.758**	-.055
	Spearman's rho	.969**	.965**	1.000	.969**	-.758**	-.890**	-.086
Povg_2	Pearson Correlation	.998**	.962**	.957**	1	-.830**	-.890**	.072
	Kendall's tau_b	1.000**	.978**	.912**	1.000	-.714**	-.670**	-.011
	Spearman's rho	1.000**	.996**	.969**	1.000	-.842**	-.842**	-.042
ln_GDP_PC	Pearson Correlation	-.824**	-.814**	-.800**	-.830**	1	.717**	-.025
	Kendall's tau_b	-.714**	-.736**	-.626**	-.714**	1.000	.516*	.033
	Spearman's rho	-.842**	-.846**	-.758**	-.842**	1.000	.626*	.116
ln_GLP_PB	Pearson Correlation	-.889**	-.832**	-.870**	-.890**	.717**	1	.049
	Kendall's tau_b	-.670**	-.692**	-.758**	-.670**	.516*	1.000	.077
	Spearman's rho	-.842**	-.851**	-.890**	-.842**	.626*	1.000	.138
Domestic_credit	Pearson Correlation	.064	-.044	.182	.072	-.025	.049	1
	Kendall's tau_b	-.011	.011	-.055	-.011	.033	.077	1.000
	Spearman's rho	-.042	-.029	-.086	-.042	.116	.138	1.000

Note: * and ** implies that the correlation coefficient is significant at the 0.05 and 0.01 level (2-tailed) significantly.

Note: Poverty head count ratio 1 (also poverty gap 1) and poverty head count ratio 2 (also poverty gap 2) are calculated on the basis of poverty line of US$1.25 and US$2 per day, adjusted for purchasing power parity.

effect Panel Regression to estimate the effect of gross loan portfolio per borrower of MFIs on poverty. The choice of regression analysis is based on Breusch and Pagan Lagrange Multiplier Test under the hypothesis that there is no random effect. Accordingly, pooled regression is appropriate when we do not reject the null hypothesis.

RESULTS AND DISCUSSIONS

Microfinance Access and Poverty: South Asian Experience

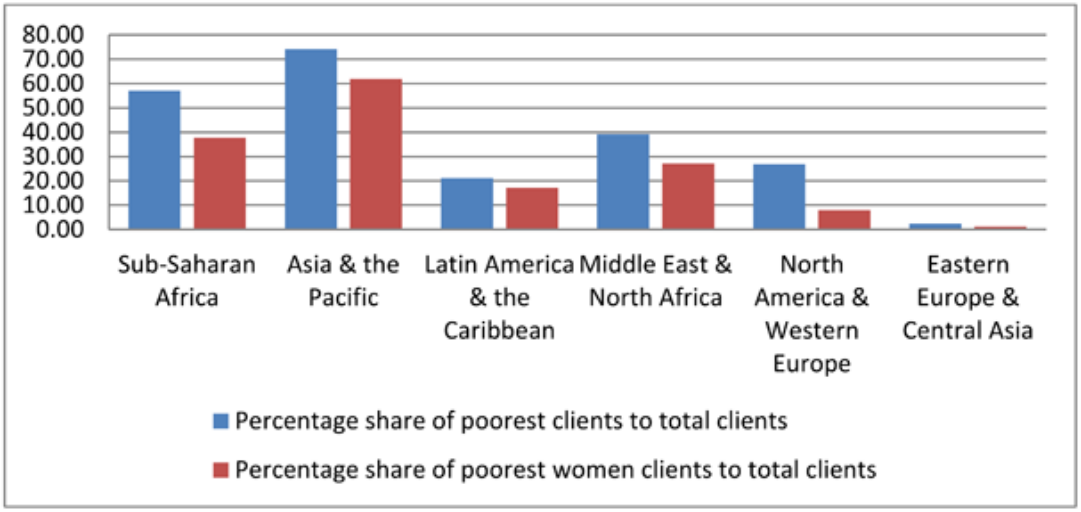
The outreach of microfinance programme across regions of the world exhibits a strong growth in the outreach of the sector in Asia. According to Microfinance Summit Campaign Report, 2012, out of 3652 microfinance institutions, 1009 are found in operation in Sub-Saharan Africa, 1746 in Asia and the Pacific, and 647 in Latin America and the Caribbean. Thus microfinance as an institutional interven-

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tion is mainly widespread in developing world. In such economies, Asia and the Pacific predominantly occupied a large client share of 82 percent, followed by Latin America and the Caribbean countries (6.47 percent), Sub-Saharan African countries (5.67 percent). In fact, Asia accounted for the majority of microfinance institutions, retained the highest number of savings and credit[1] and served more members than any other continent (Lapenu & Zeller, 2001). Another distinguished characteristic suggests that a variety of alternative delivery mechanism – cooperatives, village loans, and lending to solidarity groups or individually are found operating in Asian countries (Weiss et al, 2003). Moreover, microfinance programmes in Asia and Pacific countries are successful in extending its services to the poorest and women sections of the population. It is evident that Asia and Pacific region retains more than 90 percent of the share in the number of poorest[2] clients and number of poorest women clients across regions (Figure 2). The coverage of poor households under the microfinance sector is highest in Asia and the Pacific region (68.8 percent) and it is followed by Africa and the Middle East (11.2 percent), Latin America and the Caribbean (32.4 percent) and Eastern Europe and Central Asia (3.7 percent). The coverage of poor women households under the microfinance sector is also highest in Asia and the Pacific region (61.94 percent) and it is followed by Sub-Saharan Africa (37.69 percent), Middle East and North Africa (27.16 percent), Latin America and the Caribbean (17.06 percent), North America & Western Europe (7.87 percent) and Eastern Europe and Central Asia (1.20 percent) in 2010.

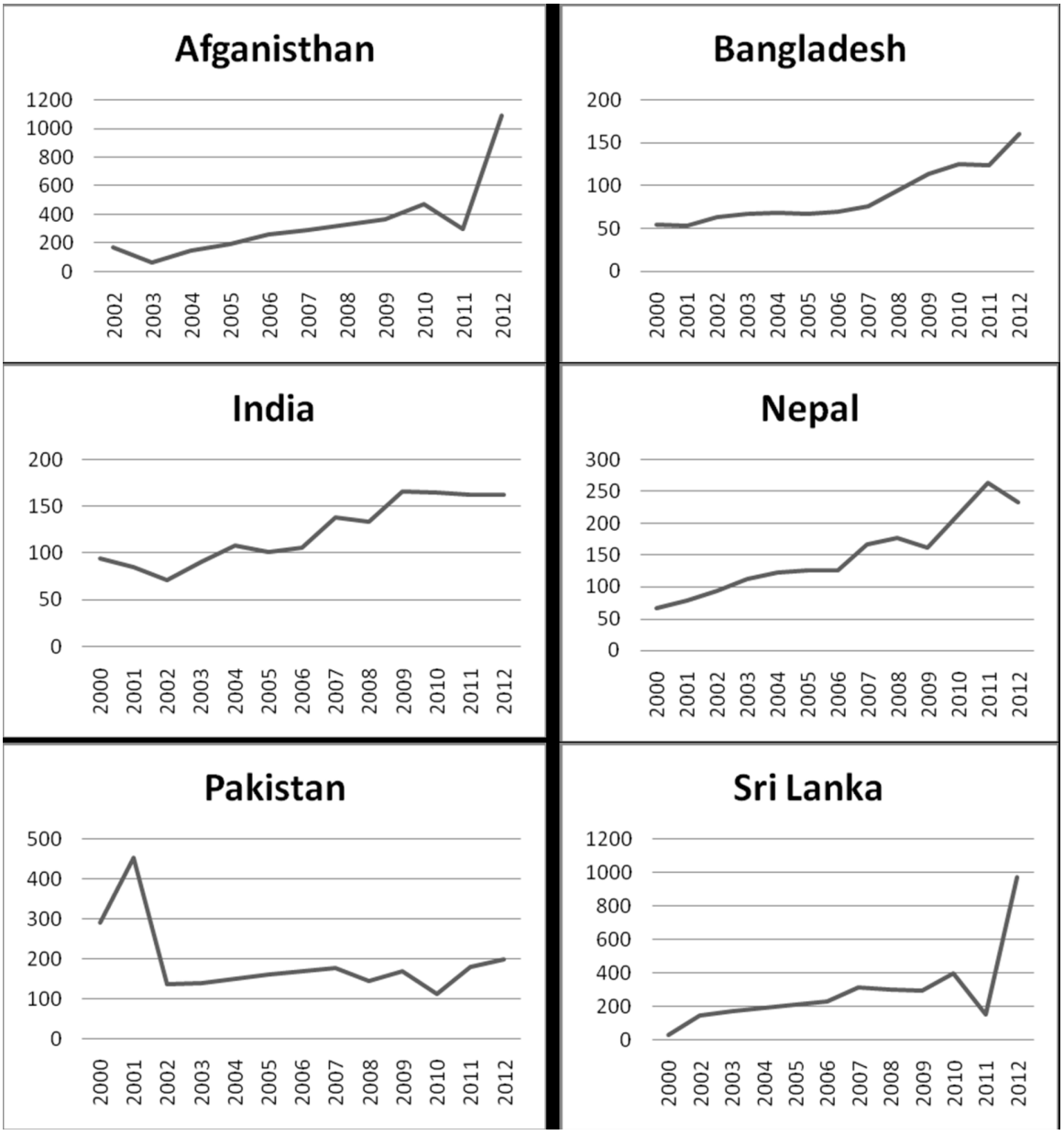
In the backdrop of widespread prevalence of microfinance practice in the South Asia[3], an attempt has been made in this section to examine the trend of gross loan portfolio per active borrowers' over time (2000-12) across several countries in the region (Figure 3). Over the years, Bangladesh, India and Nepal have experience a steady upward movement in the average loan portfolio than other countries of the regions. Afghanistan and Sri Lanka also maintained a steady progress in the outreach of microcredit till 2009, with a slowdown in 2010 and thereafter the progress is again restored. Pakistan exhibits a sharp decelerating trend in 2001-02, but thereafter witnessed a steady upward movement in the average loan portfolio. An interpretation of the trend over this period can be summarized to draw the necessary conclusion of the potential implications of global financial crisis on the microfinance sector. In fact, the overall

Figure 2. Regional distribution of the share of poor and poorest women microfinance clients
Source: Author's Own Representation based on Microfinance Summit Campaign Report, 2012



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Figure 3. Trends and pattern of gross loan portfolio per active borrowers
Source: Author's compilation from MIX data



impact of crisis in South Asian countries witnessed a limited impact on the microfinance movement in this region. It has been suggested that resilience of microfinance sector in the face of crisis is mainly due to the implications of proactive measurements of governments in those countries (Dohulilova, 2009). In this context, it should be noted that despite a satisfactory progress of microfinance sector across countries of the region there has been little cross-border operation in the transaction of microfinance services. However, some of the microfinance institution in Bangladesh made an inroad in the countries like Sri Lanka and Pakistan. Bangladesh Rural Advancement Committee (BRAC) of Bangladesh entered the Sri

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Lankan[4] market after the tsunami and has rapidly scaled up to become a significant player in providing microfinance services. Three notable microfinance institutions operating in Bangladesh, viz., Grameen, BRAC and ASA, have extended their network in Pakistan (Bedson, 2009).

However, the higher number of active borrowers of micro finance does not necessarily imply the greater penetration of micro finance among the poor households in a country. It is thus desirable to assess the number of active borrowers relative to the potential base of poor households. In order to examine penetration rates across countries of the South Asia, two indicators[5] are considered: the proportion of borrowers to total population and the proportion of borrowers to total poor population. While the first indicator indicates the penetration of microfinance programme to the total population, the second one actually evaluates how successful are the microfinance institutions in eradicating poverty. To represent the trend of these indicators across countries of South Asia, three distinct time period are considered purposively: 2000-2006 (time period preceding crisis), 2007-2008 (the period of shaping crisis) and 2009-2010 (time period after crisis). Interestingly, both the penetration indicators exhibit an upward trend for all the major South Asian countries during the time period. Cross country experiences, thus, suggested that global financial crisis has not shown any major impact on the penetration of the microfinance programme to the poor households. However, there is wider cross-country variation in the penetration of microfinance in the region, with Bangladesh and Sri Lanka achieved significant depth, but other countries lag far behind. If we consider total borrowers with respect to the potential client base of the total population living below the international poverty line of US$1.25 per day, then it reveals that microfinance institutions in Bangladesh and Sri Lanka cater to more or less one-third of potential clients in these countries. It is worth mentioning that Sri Lanka has experienced with a dramatic shift in microfinance penetration over the period 2007 to 2010. The scale of microfinance outreach has expanded to reach out to more poor households in a robust way. This is broadly due to the sharp reduction in rural poverty in Sri Lanka over the period. India, being the largest market in South Asia, still lags in outreaching microfinance services to the poor households. Despite the significant growth of microfinance institutions and its active borrowers, the penetration of microfinance lending services to the poor households in the country is limited to only 8 percent in 2010 vis-à-vis 33 per cent in Bangladesh and 91 per cent in Sri Lanka[6] (Table 4).

Microfinance Access and Poverty: A Pooled Regression Analysis

It is desirable to examine the relationship between MFI's gross loan portfolio per borrower and measures of poverty so as to undertake appropriate policy measures for bringing about a more inclusive society in terms of the access to microfinance services. To test the hypothesis of a relationship between gross loan portfolio per borrower and poverty (incidence and depth) a pooled regression analysis is carried out for each poverty measure. Four sets of regression are carried out in the analysis by considering poverty head count ratios (Pov_ 1 and Pov_2) and poverty gap ratios (Pov_Gap1 and Pov_Gap 2) on the basis of poverty line of US$1.25 and US$2 per day respectively, adjusted for purchasing power parity. Trend of poverty indices across South Asian countries on the basis of international poverty line of US$1.25 and US$2 per day, adjusted for purchasing power parity is presented in Table 5In the regression analysis, we have pooled country specific poverty estimates for five countries[7] of South Asia during the time period 2000-12. Choice of pooled regression is guided by the Breusch and Pagan Lagrange Multiplier test. In fact, Breusch and Pagan Lagrange Multiplier test produces a chi-square value of 0.38, which is found insignificant (Table 6). Therefore, we do not reject the null hypothesis, and hence the random effects

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Table 4. Penetration rates of microfinance programme in major South Asian countries, 2000 – 2010

Country	Borrowers	Population	Poverty Head Count Ratio	Poor	Borrowers/ Population	Borrowers/ Poor	Year
Bangladesh	5337319	132383265	58.59	77563355	4.031717	6.881238	2000
Bangladesh	18072340	143135180	50.5	72283266	12.62606	25.00211	2005
Bangladesh	21341228	151125475	43.3	65437331	14.12153	32.61323	2010
India	4583709	1127143548	41.6	468891716	0.406666	0.977562	2005
India	32600511	1205624648	32.7	394239260	2.704035	8.26922	2010
Nepal	209946	24525527	53.1	13023055	0.856031	1.61211	2003
Nepal	725678	26846016	24.8	6657812	2.703112	10.89965	2010
Pakistan	201387	149693684	35.87	53695124	0.134533	0.375056	2002
Pakistan	686710	157971415	22.59	35685743	0.434705	1.924326	2005
Pakistan	988960	160905794	22.6	36364709	0.614621	2.71956	2006
Pakistan	1595210	167008083	21	35071697	0.955169	4.548425	2008
Sri Lanka	306890	18921000	14	2648940	1.621954	11.58539	2002
Sri Lanka	731367	20039000	7	1402730	3.649718	52.13883	2007
Sri Lanka	1334744	20653000	4.1	846773	6.462712	157.6271	2010

Source: Author compilation from MIX Data and World Development Indicators dataset.

Table 5. International poverty data-unbalanced panel

Country	Year	Poverty HC1	Poverty Gap1	Poverty HC2	Poverty Gap2
Bangladesh	2000	58.59	18.61	84.4	39.39
Bangladesh	2005	50.5	14.2	80.3	34.3
Bangladesh	2010	43.3	11.2	76.5	30.4
India	2005	41.6	10.5	75.6	29.5
India	2010	32.7	7.5	68.7	24.5
Nepal	2003	53.1	18.4	77.3	36.6
Nepal	2010	24.8	5.6	57.3	19
Pakistan	2002	35.87	7.92	73.91	26.46
Pakistan	2005	22.59	4.35	60.31	18.74
Pakistan	2006	22.6	4.1	61	18.8
Pakistan	2008	21	3.5	60.2	17.9
Sri Lanka	2002	14	2.6	39.7	11.9
Sri Lanka	2007	7	1	29.1	7.4
Sri Lanka	2010	4.1	0.7	23.9	5.4

Source: World Development Indicators (various years)

Note: Poverty head count ratio 1 (also poverty gap 1) and poverty head count ratio 2 (also poverty gap 2) are calculated on the basis of poverty line of US$1.25 and US$2 per day, adjusted for purchasing power parity.

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Table 6. Breusch and Pagan Lagrangian multiplier test for random effects

	Var	sd = sqrt(Var)
Pov 1	291.3924	17.07022
e	24.09532	4.908698
u	0	0
Test: Var(u) = 0	chi2(1) = 0.38	Prob > chi2 = 0.5381

model is not appropriate. However, the result of Random effect panel regression is presented in Table 7. However, a cursory look suggests that the coefficients of both the regressions (pooled and panel regressions) are somehow similar with a negligible minor difference (Table 7 and 8).

The results of the Pooled Regression Model identified the relationship between MFI's gross loan portfolio per borrower and poverty indices (Table 8). Empirical results of all the four specifications using four different poverty indices are observed to be closely related to each other. It can be suggested that GLP per borrower is negatively and significantly associated with the poverty head count ratio or poverty gap measure, which is consistent with our hypothesis that micro loans reduces poverty. As expected, GDP per capita is observed to be negative and statistically significant irrespective of the poverty measures chosen. However, the coefficients of the share of domestic credit to GDP are not found consistent with the finance-poverty literature[8]. In the context of South Asian countries, the negative implications of global financial crisis on poverty are not statistically established.

CONCLUSION AND FUTURE RESEARCH DIRECTIONS

The chapter focuses the linkage between microfinance outreach and poverty alleviation in the context of global financial crisis. A wide cross-country variation in the outreach of microfinance programme

Table 7. Results of panel regression (random effects)

Variable	Pov 1	Pov_Gap 1	Pov 2	Pov_Gap 2
	Coefficient [Z-value]	Coefficient [Z-value]	Coefficient [Z-value]	Coefficient [Z-value]
CONSTANT	209.2577 [6.82]***	72.85358 [5.38]***	243.4241 [6.92]***	133.4853 [7.25] ***
LN_GDP_PC	-12.37119 [-2.12]**	-5.151896 [-2.00]**	-12.50909 [-1.87]*	-7.817004 [-2.23]**
LN_GLP_PB	-20.74216 [-3.30]***	-6.066721 [-2.19]**	-23.30142 [-3.23]***	-12.72984 [-3.37]***
DOMESTIC_CREDIT	.1005026 [0.45]	-.0297916 [-0.30]	0.3187608 [1.24]	0.0688465 [0.51]
DUMMYYEAR	.8116385 [0.14]	.6067293 [0.23]	0.1649463 [0.02]	0.4881473 [0.14]
R-squared (overall)	0.8694	0.7919	0.8621	0.8769

Note: *and ** implies that the coefficient is significant at the 0.05 and 0.01 level (2-tailed) respectively. Poverty head count ratio 1 (also poverty gap 1) and poverty head count ratio 2 (also poverty gap 2) are calculated on the basis of poverty line of US$1.25 and US$2 per day, adjusted for purchasing power parity.

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Table 8. Results of pooled least squares

Variable	Pov 1	Pov_Gap 1	Pov 2	Pov_Gap 2
	Coefficient [t-Value]	Coefficient [t-Value]	Coefficient [t-Value]	Coefficient [t-Value]
CONSTANT	209.2576 [20.19535]***	72.85357 [15.95398]***	243.4241 [20.49031]***	133.4852 [21.47369] ***
LN_GDP_PC	-12.37119 [-6.268075]***	-5.151896 [-5.922947]***	-12.50909 [-5.527938]***	-7.817004 [-6.601858]***
LN_GLP_PB	-20.74216 [-9.774235]***	-6.066719 [-6.486806]***	-23.30142 [-9.576926]***	-12.72984 [-9.998963]***
DOMESTIC_CREDIT	0.100503 [1.330239]	-0.029791 [-0.894730]	0.318761 [3.679864]***	0.068847 [1.518928]
DUMMY_YEAR	0.811633 [0.400294]	0.606727 [0.678987]	0.164942 [0.070952]	0.488144 [0.401302]
R-squared	0.869444	0.791941	0.862065	0.876941
Adjusted R-squared	0.862834	0.781407	0.855081	0.870710

Note: a. Pov 1 and Pov 2 estimates are based on the poverty line of US$1.25 and US$2 per day respectively, adjusted for purchasing power parity.

b. *and ** implies that the coefficient is significant at the 0.05 and 0.01 level (2-tailed) respectively

to the poor households is observed. Asia retained its supremacy over a long period of time in regard to microfinance institutions, volume of savings and credit, and thereby served more poor members than any other continents. Microfinance programme in the South Asia region survived the setbacks of global financial crisis and witnessed much more resilient in compared to other continents in the world. In fact cross country experiences in South Asia exhibits little impact of the global financial crisis on the penetration of the microfinance programme to the poor households. Empirical observations using Pooled Regression Analysis identified a significant positive relationship between MFI's gross loan portfolio per borrower and poverty indices in South Asian countries. It is thus predicted that an all-inclusive microfinance system would strengthen the process of financial inclusion and thereby helps in eradicating poverty. However, the regression analysis is based on limited observations on international poverty data of six South Asian countries for the period 2000-12. Construction of poverty estimates is conditioned upon the available nation-wide household expenditure or income surveys which are carried out once or twice in a decade for most of the developing countries. The paper can be further developed by simulating the likely implications of global recession on poverty reducing effect of microfinance programme. The experience of other countries of the world may be considered as the interesting future research agenda in this field of study.

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KEY TERMS AND DEFINITIONS

Breusch and Pagan Lagrangian Multiplier Test: This test procedure gives a guideline to select the appropriate model – pooled regression or random effect panel regression. It starts with testing a

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hypothesis that there is no random effect. In other words, if we do not reject the null hypothesis, then it is fair to argue that random effect model is not appropriate in this case.

Global Financial Crisis: The effect of global financial crisis has been realized in the middle of 2007 and into 2008. The symptoms of the crisis are in the form of exposure of Hedge funds known as the sub-prime mortgage crisis, bank failures, a credit crunch, private defaults and massive layoffs. Consequently, stock markets have fallen across the countries, large financial institutions have collapsed, and governments in the advanced capitalist economies have sanctioned relief packages to bail out their financial systems. In the new international economic order, the crisis affected more or less every part of the world.

Microfinance: Microfinance refers to a wide range of innovative financial services that are devised to cater the needs of income-producing activities, build assets, stabilize consumption, and protect against risks. These services include savings, credit, insurance, remittances, and payments, and others. The design of the financial services in the form of smaller monetary amounts focused on the target group of households having lower incomes and limited access to other financial services.

Pooled and Panel Data: Data sets that combine time-series and cross sections are known as pooled data. Panel (or longitudinal) data is a special type of pooled data in which the data on same cross sectional units is collected overtime. It is said that all pooled data are not panel, but all panel data are pooled.

Pooled Ordinary Least Squares: In pooled regression model, all the cross section and time series data are pooled to estimate a grand regression, neglecting the cross section and time series nature of the data. In the regression model, it is assumed that the regression coefficients are the same for each of the cross sectional units. Like other OLS assumptions, it is assumed that the explanatory variables are non-stochastic.

Poverty Measures: The generalized measure of poverty was first developed by Foster, Greer and Thorbecke. This measure comprises three individual poverty indicators: head count ratio, poverty gap measure and squared poverty gap index. The present study focuses on the first two measures of poverty indices.

Random Effect Panel Regression: Panel regression model may be two types depending on the nature of correlation between individual effects and regressors. Unlike fixed effect model, this random effect regression model is applied when the unobserved individual effects are strictly uncorrelated with the regressors. In other words, the model is appropriate when the individual specific constant terms are randomly distributed across cross sectional units. This model is alternatively known as error components model.

South Asia: South Asia is the southern region of the Asian continent, which comprises the sub-Himalayan countries like Bangladesh, India, Sri Lanka, Pakistan, Nepal, Bhutan, Maldives, Afghanistan and Myanmar. South Asia is comprised of over one fifth of the world's population, and thereby considered as the most populous and the most densely populated geographical region in the world. It is to be noted that the South Asian Association for Regional Cooperation (SAARC) is an economic cooperation organization in the region which was established in 1985 with the active cooperation of seven countries — Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.

ENDNOTES

[1] The largest distribution of loans and mobilization of savings in terms of GNP are recorded in South East Asia (Thailand, Bangladesh, Viet Nam and Indonesia), Latin America (Bolvia, Honduras,

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Panama, Jamaica and Colombia) and East and West Africa (Kenya, Togo, Benin, Mali and Burkina Faso) (Lapenu and Zeller, 2001).

2 For international comparison, the population below absolute international poverty line is considered as those living on less than $1.25 a day adjusted for purchasing power parity.

3 We have not included the country Bhutan since Mix data provides information on the number of active borrowers in the country for the period 2009-11. The number of active borrowers have increased from 1, 99, 23 in 2009 to 2, 44, 76 in 2010 and further reached to 2, 78, 74 in 2011.

4 In Sri Lanka, some corporate entities see microfinance as a Corporate Social Responsibility activity or an image building exercise (Bedson, 2009).

5 These two penetration rates were first appeared in Asia Microfinance Analysis and Benchmarking Report, 2008.

6 A brief profile on the development of microfinance sector in selected South Asian countries is carried out in Appendix.

7 The country, Afghanistan, is excluded in the analysis of South Asia due to non-availability of data on the poverty estimates in the stipulated time period of the study.

8 In the finance –poverty literature, a deepening of microfinance system (measured by the share of domestic credit to GDP of a country) is expected to have a favorable impact on the reduction of poverty. Excepting the regression result of poverty head count ratio at US $ 2 per day (Pov_2), the coefficients of domestic credit are not found statistically significant.

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APPENDIX

A Brief Profile of Microfinance Programme in Selected South Asian Countries

Bangladesh: In Bangladesh, microfinance sector is dominated by a few pioneering microfinance institutions, viz., BRAC, Grameen bank, Association of Social Advancement (ASA) and Proshiksha. These microfinance institutions have a vast network throughout the country and enable to outreach its services to the rural poor. Some of the remote areas in north and southwest districts have experienced lower penetration of microfinance services in comparison to the rest of the country. In the provision of financial services to the poorer sections of the population, private microfinance institutions (NGO-MFIs) accounting for 86 percent of the 14.3 million active borrowers (World Bank, 2006).

Sri Lanka: House-hold Income and Expenditure Survey conducted by The Department of Census and Statistics in Sri Lanka witnessed a gradual decline of poverty estimates from 26.1 percent in 1990-91 to 22.7 percent in 2002. The latest calculation of poverty indices shows that poverty level of the country has further declined from 15.2% reported in 2006-07 to 8.9% in 2009-10. The gradual reduction in poverty can be explained by the successful implementation of a wide-ranging poverty alleviation programme of the government targeting youth, women and the disadvantaged. As a part of the National Samurdhi Programme, Samurdhi Bank Societies (SBSs) were established in 1996 to targets the poorest segment of the population has contributed to this. However, circumstantial evidence gives enough reason to believe that microfinance programme led by SBSs and other agencies has contributed to this decline (Atapattu, 2009).

India: In India, SHG-Bank Linkage Programme (SBLP) has emerged as the major microfinance programme, even if there are other different models for extending microfinance in the country. The programme is being implemented by the commercial bank, RRBs and cooperative banks. The performance of the programme in outreaching its services has significantly scaled up subsequently. However, a deceleration trend is observed in the formation of new SHGs financed by the bank from 2009-10 (Government of India, 2012). The programme of SBLP is specially designed to cater the needs of women section of the population. It has been seen that around 80 per cent of the SHGs linked were exclusive women SHGs and their share in the disbursement of loan is around 85.73 percent.

Nepal: The Microfinance Development Banks (MFDBs) are the predominant direct providers of microfinance services in Nepal. In an effort to expand the outreach of microfinance services to the poor, the government in Nepal has directed all commercial banks to allocate 3 percent to the "deprived sector" and all development banks and finance companies are required to disburse at least 1.5 percent and 1 percent of their loan portfolios respectively to the poor. However, on the implementation ground, little progress has been done, and thereby, the poor and lower income clients still have limited access to microfinance services (Bedson, 2009).

Pakistan: In Pakistan, the microfinance sector has three key categories of regulated microfinance providers (MFPs): microfinance banks, rural support programs and specialized MFIs. Policy makers in the country have played an instrumental role in implementing some of the promotional measure so as to develop the microfinance sector. The policy of the State Bank of Pakistan to promote branchless banking and Islamic banking have been successful in covering the target group of population those who are so far been excluded from the purview of the sector, either due to their living in remote places or to their religious belief (Bedson, 2009).

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Chapter 68
Rational Asymmetric Development:
Transfer Mispricing and Sub-Saharan Africa's Extreme Poverty Tragedy

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ABSTRACT

A recent publication by the World Bank on Millennium Development Goals (MDGs) has established that extreme poverty has been decreasing in all regions of the world with the exception of sub-Saharan Africa (SSA), in spite of over two decades of growth resurgence. This chapter explores the role of transfer mispricing in SSA's extreme poverty tragedy. The analytical structure entails: (1) emphasis of rational asymmetric development as the dark side of transfer pricing; (2) linkages between financial reporting, international financial reporting standards (IFRS), transfer pricing and poverty; (3) evidence that the recent growth resurgence in African countries has been driven substantially by resource-rich countries which are experiencing high levels of exclusive growth and extreme poverty; (4) the practice of transfer mispricing by multinationals operating in resource-rich countries of SSA and (5) a Zambian case study of extreme poverty and transfer mispricing schemes by Glencore in the copper industry. While transfer mispricing is contributing to diminishing African growth, available evidence shows that the component of growth that is not captured by transfer mispricing does not trickle down to the poor because the African elite is also animated by practices of rational asymmetric development. Policy implications for the fight against extreme poverty are discussed.

1. INTRODUCTION

A recent publication by the World Bank on Millennium Development Goals (MDGs) has established that extreme poverty has been decreasing in all regions of the world with the exception of sub-Saharan Africa (SSA) (Caulderwood, 2015; World Bank, 2015). Consistent with Asongu and Kodila-Tedika (2015), about 45% of nations in the sub-region are substantially off-track from attaining the MDGs extreme

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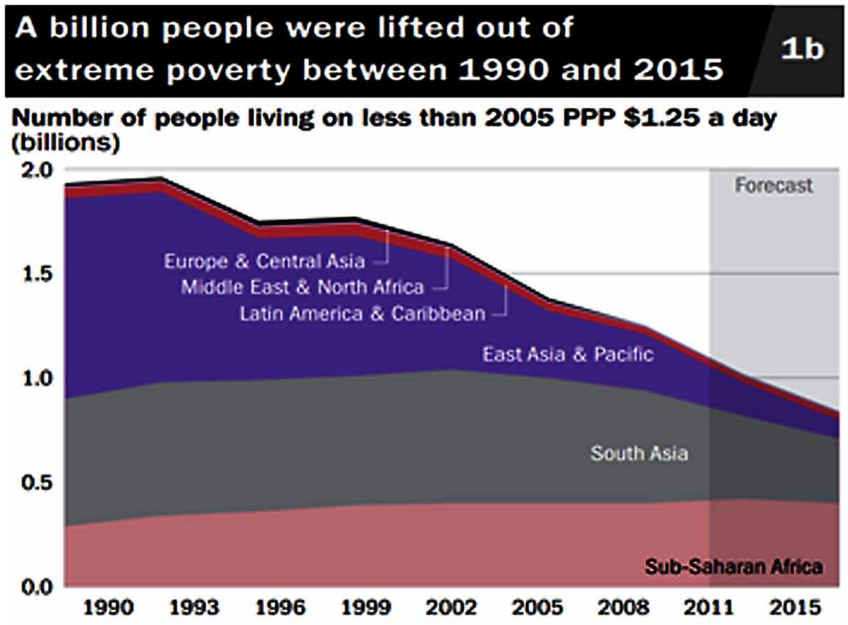
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poverty target. From the evidence provided by Figure 1, it can be noticed that, but for SSA, extreme poverty has been decreasing in all other regions of the world. This is an unfortunate tendency, despite about two decades of growth resurgence that began in the mid 1990s (Alan & Carlyn, 2015, p. 598). In the light of these observations optimistic narratives about African rising should be treated with extreme caution, notably: (i) Pinkivskiy & Sala-i-Martin (2014) on all African countries attaining the MDGs extreme poverty target by 2014, with the exception of the Democratic Republic of Congo; (ii) Leautier (2012) on Africa's growing leadership role in the World and (iii) the continent witnessing considerable poverty decline compared to other world regions (Fosu, 2015a). It should be noted that the cautious position of Fosu is much more articulated in Chapter 1 (Fosu, 2015b) of his recent book on 'growth and institutions in Africa'(Fosu, 2015c). Nonetheless, such overly optimistic positions may have been motivated by a stream of the literature on 'the African growth miracle' (Young, 2012): a motivational current in the literature which is likely to be more concerned about promoting the interest of neoliberal ideology and capital accumulation. Therefore, neglecting fundamental ethical concerns like: ecological crisis, inequality and sustainability in job creation (Obeng-Odoom, 2013, 2014).

Over the past decades, a lot of scholarly attention has focused on the causes of African poverty (Englebert, 2002; Jerven, 2011; Kodila-Tedika & Agbor, 2014; Asongu & Kodila-Tedika, 2015). The plethora of studies has either been based on the existence of an African dummy or the assumption that the continent is fundamentally different from other regions of the world. Some of the documented reasons for persisting poverty include: social barriers to economic growth and technological change (Amavilah, 2015); deinstitutionalization of Africa (Nunn, 2008, 2009; Nunn & Puga, 2012) and/or loss of traditional African institutions (Amavilah, 2014a, 2006; Lewis, 1955); inability to make a clear distinction between 'private property rights' and 'private use rights' (Amavilah, 2015); overvaluation of foreign knowledge and undervaluation of local knowledge (Brush & Stabinsky, 1996; Raseroka, 2008; Lwoga

Figure 1. Comparative regional poverty levels
Source: World Bank PovcalNet



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et al., 2010; Asongu, 2014a; Tchamyou, 2014; Amavilah et al., 2014; Asongu et al., 2014); over-idleness of natural resources (Doftman, 1939; Lewis, 1955; Amavilah, 2014a); 'Ignoring art as an expression of technological knowledge' (Amavilah, 2014a); excessive consumption of luxury (Adewole & Osabuohien, 2007; Efobi et al., 2013); lack of capacity to acknowledge scarcity (Lewis, 1955; Dorfman, 1939; Lucas, 1993; America, 2013; Drine, 2013; Looney, 2013; Asongu, 2014ab); negative influences from colonialism and noecolonialsm (Ndlovu-Gatsheni, 2013); false economics of preconditions (Monga, 2014); lost decades of policy prescriptions from the Washington Consensus (Lin, 2015; Asongu and Ssozi, 2015); less self-reliance (Fofack, 2014) and over-dependence on development assistance (Moyo, 2009; Obeng-Odoom, 2013; Asongu, 2014c); absence of qualitative measurements in African paradigms of development (Obeng-Odoom, 2013); inability to effectively negotiate for foreign aid, absence of favourable local conditions and presence of fragile institutions (Kayizzi-Mugerwa, 2001); low levels of regional integration (Kayizzi-Mugerwa, et al., 2014); corruption in international trade (Musila & Sigué, 2010) and asymmetric globalisation-fuelled policies that are more favourable to developed countries (Asongu, 2015a), inter alia.

To the best of our knowledge, the role of 'transfer mispricing' (hence TM) has not been substantially explored as a fundamental cause of African poverty. It is important to position a TM-related line of inquiry on Africa because with the continent's growth resurgence, Multinational corporations (MNCs) are expected to increases their presence in the region (Curtis and Todorova, 2011, p. 2).

According to Sikka and Willmott (2010, p. 342), in the conventional literature on accounting, transfer pricing (TP) is a technique that is employed by multinationals to optimally allocate revenues and costs across joint ventures, subsidiaries and among divisions within a group of entities that are related. Consistent with the authors, these representations of TP illustrate how multinational companies are substantially involved in processes of wealth retentiveness which enable corporations to avoid taxes and ease capital flight. In essence, while a conception of purely technical nature of computing TP could abstract from the politico-economic contexts of their development and usage, the context much reflects contemporary business activities or an époque of globalised trade combined with interactions among tax authorities of the state, shareholders and other stakeholders of the business practicing TP. It is acknowledged that the practices determine economic opportunities in ways that are critical in augmenting private gains, hence, contributing to social impoverishment of developing countries through tax avoidance (Nkurunziza, 2012). It is also worthwhile to note that TP is a legitimate business practice as it is a necessary accounting entry needed to ascertain profit arising from different jurisdictions. Therefore, TP in itself is not bad but it is the abuse of TP or TM that is bad because it could be a cause of poverty in SSA. While the interested reader may find recurrent references to illicit capital flight, it is important to also note that illicit capital flight is only an aspect of TM, but has been documented to represent the most substantial consequence of TM (Nkurunziza, 2012).

In light of the above, to logically establish that TM may be a source of extreme poverty in SSA countries, at least five conditions are necessary: (i) evidence of rational asymmetric development as the dark-side of TP; (ii) linkages between financial reporting, international financial reporting standards (IFRS), TP and poverty, (iii) establishing that the recent growth resurgence in African countries has been driven substantially by resource-rich countries which are experiencing high levels of exclusive growth and extreme poverty, (iv) substantiating that TM is practiced by foreign multinational in resource-rich countries in SSA and (v) a case study of a resource-rich country for which we clearly articulate the first-four points. In what follows, one section is devoted to elucidating each of the five points, while the last section concludes.

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2. FINANCIAL REPORTING, IFRS, TRANSFER PRICING, AND POVERTY IN AFRICA

We discuss this section in five strands, notably: (i) the reason TP is important in Africa, (ii) TP schemes/ regimes, (iii) challenges to TP, (iv) future of TP and (v) linkages between TM, tax evasion and poverty in the continent.

In the first strand, TP is important for African countries essentially because at the advent of globalisation, MNCs are increasingly playing an important role in the economic growth of most countries (Curtis and Todorova, 2011). According to the narrative, as of 2011, more than two-third of transactions in the world, were related to MNCs. The authors sustain that attaining the MDGs requires, inter alia: increasing domestic revenues and consolidating domestic tax bases. This entails, tailoring TP policies such that domestic tax revenue is protected without disincentivising foreign direct investment (FDI) and international trade.

The second strand engages TP regimes in Africa. Curtis and Todorova (2011) have outlined various stages in the adoption of TP reform, namely: Stage 1, Stage 2 and Stage 3 respectively 'Developing countries that do not have TP legislation in place', 'Developing countries that are on the verge of implementing TP legislation' and 'Countries with existing TP legislation'. Accordingly, stages of development are the basis for categorising a given TP regime corresponding to the specific country. In Africa, the picture is mixed at best. The perspective is the following for some countries, inter alia: well established referenced TP regimes (Kenya and South Africa); recently passed TP legislation (Uganda); expectations of enacting TP legislation (Nigeria and Zimbabwe); tax code provisions that mention TP (Mozambique and Algeria) and no TP regulation/legislation (Libya and Sudan). This heterogeneity among countries represents substantial challenges to harmonizing TP policies across the continent.

Challenges for African TP regimes in the third strand have inevitable consequences like tax evasion which has substantial poverty externalities (Nkurunziza, 2012). Documented challenges by Curtis and Todorova, (2011) include: lack of comparable transactions, lack of knowledge and resources, the intangible economy or intellectual property (IP) regimes which skew most taxable income to developed countries, concerns with location of savings and lack of comprehensive tax treaties.

The fourth strand relates to the future of TP in Africa. According to Curtis and Todorova, (2011), since more African countries engaging-in and/or speeding-up the adoption process of TP regimes, it is imperative for the underlying TP policies to be harmonized at some point in time. The integration process of the continent into the global economy would require, inter alia, the adoption of comprehensive and harmonized TP policies. To this end, strategic safeguard harbours with which to ease capacity and compliance concerns have been documented by Curtis and Todorova (p.11).

Harmonizing TP policies is very crucial because according to Donnelly (2015), the 2015 African Economic Outlook report has revealed that TM is substantially retarding the continent's development because of the absence of a monitoring capacity which focuses on tax avoidance. The report is jointly published by the Organisation for Economic Co-operation and Development (OECD), the African Development Bank (AfDB) and the United Nations Development Programme (UNDP). The authors sustain that 'illicit flows of tax revenue collection' is continuously falling short of the needs of countries. According to the narrative, there has been an extensive abuse of TP and only three African countries are currently in possession of TP units in their internal revenue services': "Lack of official monitoring capacity leaves African countries highly vulnerable to these tax avoidance practices".

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This leads us to the fifth strand on linkages between TM, tax evasion and poverty. Donnelly (2015) have recently reported on the abusive TP and tax evasion that are contributing to substantial losses of income that would have been invested on the poor in African countries, notably: more than 60 billion USD annually. We articulate the report by Donnelly (2015) with numbers to enhance clarity. The issues of illicit financial flows from the continent are in the neighbourhood of 4% of Gross Domestic Product (GDP): outstripping FDI and official development assistance (ODA). The unlawful money flows entail practices that build around tax evasion, via, inter alia: abusive transfer pricing, trade misinvoicing, bribery and money laundering by international companies. According to the report, in 2012, illicit flows from SSA stood at about 68.6 billion USD, compared to 35.4 billion USD and 41.1 billion in FDI and ODA respectively. Moreover, given that these unlawful transactions are surreptitious, there is a high likelihood that the actual scales of the illicit financial outflows are being substantially under-reported.

On the nexus with poverty, the corresponding research estimates that the stock of African capital would have increased by more than 60% had the underlying illicit funds been retained in the continent, whereas GDP would have been about 15% higher. Given that economic growth is needed for poverty reduction, the link between illicit capital flows and poverty cannot be denied. Donnelly (2015) further reports that commercial corporations account for a substantial portion (approximately 65% of illicit capital flows), followed by organised crime (about 30%) and corruption-related practices (5%). Moreover, trade misinvoicing or the deliberate under- and over-invoicing of trade transactions has been the most widely documented method of the illegal transfer of money across borders, representing about 67.4% of corresponding illegal outflows during the period 2003 to 2012.

The deplorable linkages between TP, tax losses in domestic economies and negative externalities on economic development have been articulated in a recent report by renowned economists who have qualified the international tax system as 'repulsive and inequitable' (Walsh, 2015). According to Nobel Prize laureate Joseph Stiglitz, the manner in which MNCs are taxed is 'repulsive, inequitable and inefficient'. Stiglitz emphasises that, whereas tax systems are national, MNCs and their capital are global; hence, they have "free rein to move their money around to the low-cost jurisdictions" (Walsh, 2015).

This tendency deprives developing countries (especially in Africa) of the capital needed for investments in education, health and development programs. According to Stiglitz, "it undermines the social and economic fiber of a country". Moreover, he articulates that endowing MNCs with tax breaks and implicitly allowing them to engage in schemes of TM makes domestic companies less willing to comply with their own tax obligations: "If multinational companies are escaping taxation, domestic firms are put in an unfair competitive position and it distorts the economy". For brevity and lack of space, we invite the interested reader to get more insights into country-specific consequences of TM in Ndikumana & Boyce (2012a). Diak (2014) posits that, had the tax revenues lost to TM been spent on healthcare since the year 2000, with incremental tax revenue from avoidance of capital flight, approximately 350 000 children could have been saved on a yearly basis.

Fofack and Ndikumana (2010) have estimated that if a quarter of capital flight was repatriated to Africa, the continent's domestic investment as a percentage of GDP would increase from about 19% to 35%. Channels via which capital flight increases poverty have been documented by Nkurunziza (2012) who has empirically examined linkages between capital flight and poverty in Africa. According to the author, TM (e.g illicit financial flows) increases uncertainty and risk in the domestic economy, thereby discouraging investment and its potential appealing impact on the mitigation of poverty. Moreover, countries with high corruption levels in which the governing elite have more opportunities of unlaw-

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fully appropriating resources and transferring them to save havens abroad, there are limited or decreased incentives to put in place socio-economic measures for poverty reduction. This is essentially because the corresponding elites may easily recourse abroad for services that are lacking domestically.

3. RATIONAL ASYMMETRIC DEVELOPMENT AND THE DARK SIDE OF TRANSFER PRICING

In this section, we: (i) clarify the concept of rational asymmetric development; (ii) elucidate the correlation between rational asymmetric development and TM and (iii) engage the dark side of TP.

Consistent with Asongu (2015a), rational asymmetric development "refers to unfair practices of globalisation adopted by advanced nations to the detriment and impoverishment of less developed countries" (p. 14). The author refers the interested reader to find more insights into the phenomenon in studies focused on capitalism-oriented rational asymmetry. Some examples include: 'Making Globalisation Work' by Stiglitz (2007) which documents that "The average European cow gets a subsidy of $2 a day; more than half of the people in the developing world live on less than that. It appears that it is better to be a cow in Europe than to be a poor person in a developing country" (p. 85). Additionally, "Without subsidies, it would not pay for the Unites States to produce cotton; with them, the United States is, as we have noted, the world's largest cotton exporter" (p.85). Moreover, the Chang (2008) 'Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism' also provides insights into the underlying concept. Mshomba (2011) has also provided an African specific-perspective with a systematic review of how the World Trade Organisation (WTO) policies are affecting Africa while Asongu (2015a) has extended the celebrated Piketty (2014) literature to elucidate the spirit of African poverty.

Drawing from the above, in the second strand there are grounds on which to sustain that capitalism-fuelled TM is fundamentally motivated by rational corporate policies from multinational companies which are primarily concerned about increasing shareholder value, with little regard over how such practices (like tax evasion) affect the livelihoods of the poor in the less developed world from which they operate. According to Osabuohien et al. (2013, 2014, 2015), multinational corporations in African countries have been increasingly employing very questionable accounting practises that enable them to declare minimum profits and therefore liable to low taxes to African governments. The dichotomy between less developed and more advanced countries comes-in when such rational corporate practices are destined to increase tax revenues in more advanced countries, to the detriment of their less developed counterparts. In this light, owing to accounting malpractices, a substantial chunk of wealth from African countries ends-up in offshore financial centres that are for the most part under the jurisdictions of the OECD nations (Boyce & Ndikumana, 2003, 2010; Fofack & Ndikumana, 2010). Given that, these offshore financial centres are economically and politically managed by OECD countries, it follows that advanced nations are the primary beneficiaries of these rational corporate practices. Hence, the term: 'rational asymmetric development'.

The European Network on Debt and Development (EURODAD, 2008) has provided an interesting literature on how the 'black hole' of asymmetric development can be tackled through capital flight regulation. It is important to note that more than 50% of illicit capital flight from developing countries involves questionable accounting practices by corporations (EURODAD, 2008, p. 7). Some characteristics of capitalism-driven illicit capital flight practices documented in the study include: (i) speculation and volatility, (ii) tax havens, tax concessions, investment and abusive TP, (iii) emergence of hedge funds

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and private equity, (iv) capital account liberalisation and its implications, (v) failure by the International Monetary Fund (IMF) to enhance financial surveillance and regulation and (vi) European nations easing conditions for regulatory inefficiencies in hedge funds and private equity, as well as facilitating capital flight from less developed countries. From the above narrative, asymmetric development between rich (high-income) and poor (low-income) countries is fundamentally driven by capitalism-oriented policies, with TM fundamentally motivating the flow of illicit capital flight from less developed to developed countries.

Borrowing from Sikka and Willmott (2010), we engage the dark side of TP in the third strand. According to the authors, TP is of growing relevance to companies in the globalised world where their operations are not limited to a single country, but extended to nations with differing regulation capacities and regimes of taxation. The narrative sustains that, in the pursuit of cash flows, marketing goals, joint ventures, profits, inter alia, corporations are obliged to recourse to rational measures of taxable profits and cost performance. Under such environmental conditions, multinational corporations develop processes of overhead- and cost-allocation as well as design strategies with which to transfer commodities. Given the subjective nature of overhead and cost allocation channels, companies enjoy some discretion in tailoring them towards specific geographical jurisdictions and commodities. Such discretion allows them to keep taxes at minimum, hence, increasing profits. The strategy consists of allocating most profits to low-risk and low-tax jurisdictions. While there is some consensus that TP can help companies mitigate the negative effects of double taxation, the practice is substantially abused as it is: (i) used to shift profits by virtually every multinational company in the world (Baker, 2005) and (ii) increasingly being employed to artificially shift profits to low- from high-tax jurisdictions, thereby maximizing income in the former and expenses in the latter. Ultimately, TP remains the most important issue of international taxation that Multinational Enterprises (MNEs) are increasingly being confronted with (Ernst & Young, 2006). This is essentially because it is very instrumental in tax avoidance (Ernst & Young, 2005), which has consequences in the distribution of public commodities and wealth in low-income countries.

Globalization has brought about new dimensions in the politics of TP (Sikka and Willmott, 2010). Extricated from the constraints of territorial jurisdictions, MNEs find it easier to establish joint ventures, trust, special purpose entities, affiliates and subsidiaries that enable them to take advantage of favorable subsidies and taxes in certain geographic locations. Hence, global production has brought new and extensive avenues for TP schemes that enable MNEs to avoid taxes in less desirable locations and shift profits to more desirable areas. The sheer complexity, power and scale of globalization represents a significant challenge to mainstream thinking on TP, essentially because owing to complex production and exchange networks: (i) domestic corporations now have transnational and multinational tendencies and (ii) foreign corporations either work with local companies through joint ventures or establish fresh businesses in new jurisdictions.

The overwhelming increases in corporate power and global trade has provided many avenues for crafting 'tax avoidance' TP strategies, especially with the tendency of MNEs exploiting natural resources in less developed countries. Hence, developing nations are substantially vulnerable to TP practices of illicit capital flight and/or tax avoidance (Borkowski, 1997). The evidence of manipulation by MNEs in developing countries has been documented in a broad stream of literature. First, the IMF's position that the globalization of trade has emerged in tandem with numerous issues for national tax authorities, accruing from the abuse and potential use of TP by MNEs, entailing, the allocation of fixed costs, loans, patents and trademark valuations (Sikka & Willmott, 2010). Second, a plethora of tax administrators are involved in TP practices (Tanzi, 2000).

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The strength of MNEs is consolidated with the ideologies of capitalism, as nation-states are obliged to compete in order to attract the investment needed to boost domestic economies. This competition engenders avenues by which MNEs devise TP strategies, rationally needed to take advantage of differences in taxes across nation-states (Sikka & Willmott, 2010). In addition, the opportunities provided by TP are beginning to facilitate the birth of microstates, which are known as 'tax havens' or offshore financial centers. These microstates are instrumented by advanced nations with legislative powers to provide less tight regulation, preserve secrecy and impose no/low taxes which are attractive to MNEs seeking blur administrative structures. The secrecy represents a fertile ground for creative TP schemes that are being exploited for tax avoidance. No wonder approximately half of global trade transactions transit via offshore financial centers, despite these jurisdictions accounting only for about 3% of World GDP. While microstates represent only 1.2% of the global population, they account for 26% (31%) of assets (net profits from American MNEs) (Sikka & Willmott, 2010).

We end this section by providing some stylized facts on the increasing power of microstates and growing influence of MNEs vis-à-vis nation states. First, consistent with Sikka and Willmott (2010), every year about 200 000 new corporations are created in microstates, with a cumulative number of about 3000 000 after the turn of the millennium according to Baker (2005). Consistent with the narrative, some cases in point include: (i) a building in Caymans registering about 18, 857 corporations, including major global MNEs (US Government Accountability Office, 2008); (ii) the British Virgin Islands (Caymans) having 3389 (182) corporations by per 100 people and (iii) the 575 residents of Sark Island (part of the Channel Islands) having some 15,000 companies which are non-resident corporations for the most part (UK Home Office, 1998). A common denominator among these tax havens is that they do not impose taxes on the profits of corporations and hence, local tax authorities are not concerned about TM practices. Second, at the start of the third millennium, of the 100 largest economies, 51% were not nation states but MNEs with a considerable exercise of power (Anderson et al., 2005). We engage the narrative in five points. First, the 100 biggest companies controlled about $3400 billion worth of assets, of which about 40% are not located within domestic economies. Second, the top 200 companies represented about 28% of the world economy. Third, the top 500 controlled 70% of global trade, 80% of FDI, 30% of world GDP, about 33.3% of manufactured exports, 75% of trade in goods and services and approximately 80% of trade in technical and management services. Fourth, less developed countries which are dependent on agriculture are left to the whims and caprices of MNEs because, only 20 controlled the trade of coffee, 6 influenced 70% of trade in wheat, 1 controlled about 98% of packed tea production and 2 companies influenced about 80% of world grain which was distributed by two MNEs. Fifth, intellectual property rights (IPRs) were essentially monopolized at about 97% by OECD nations, of which 90% were held by powerful MNEs (Anderson et al., 2005).

4. AFRICA RISING, RESOURCE-RICH SSA COUNTRIES, EXCLUSIVE GROWTH, AND POVERTY

In this section, drawing from the evidence that most of Africa's growth has been driven by resource-wealthy countries with oil, mining and gas industries (Deaton, 1999; Veselinovic, 2015), we present evidence that underlying countries are characterised with exclusive growth and poverty. We have shown above that the growth resurgence in the sub-region has been fundamentally driven by resource-rich nations owing to increasing commodity prices (Boyce & Ndikumana, 2012ab; Asongu, 2014d). Unfortunately,

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these wealthy nations are also plagued by substantial extreme poverty, with comparatively lower social and health amenities. Putting the account into greater perspective (Ndikumana & Boyce, 2012b): the Republic of Congo, Gabon and Equatorial Guinea are among these countries with per capita incomes (wealth rank) of respectively $1,253 (15th), $4,176 (5th) and $8,649 (2nd) and oil reserve ranks of 8th (Congo), 7th (Gabon) and 10th (Equatorial Guinea). Consistent with the account, a great portion of the population in these nations still live in very abject poverty. Accordingly, the lack of basic social services, drinkable water, elementary schools and decent sanitation are eloquent testimonies. For example, Gabon and Equatorial Guinea both rank second- and third-to-the last with 55% and 51% respectively of immunization rates against measles. Moreover, the probability of a child reaching his/her fifth birthday in Equatorial Guinea is lower than the average of the SSA sub-region.

Evidence of exclusive growth is provided by a recent global ranking on 'quality of growth' provided by the IMF (Mlachila et al., 2014, p. 27)[1]. Drawing from time-dynamic assessments of the performance from 93 developing nations in terms of 'quality of growth', rankings of the highlighted oil-wealthy nations have been deteriorating substantially. In essence, evidence from 1990-1994, 1995-1999, 2000-2004 and 2005-2011 shows increasing exclusive growth: Congo Republic (59th, 70th, 74th & 84th), Gabon (58th, 61st, 67th & 69th) and Equatorial Guinea (76th, 73rd, 76th & 88th).

In light of the above, the position of SSA countries in Figure 1 is not surprising, given that the two decades of growth resurgence has been marred by inequality[2]. The stance can be elucidated on two counts: (i) the relationships among, growth, inequality and poverty and (ii) evidence that growth in the sub-region has been marred by inequality which justifies the growing extreme poverty.

First, inequality substantially affects the relationship of growth on poverty because the inequality elasticity of poverty is higher than the growth elasticity of poverty (Asongu & Kodila-Tedika, 2014). In more specific terms: "The study finds that the responsiveness of poverty to income is a decreasing function of inequality" (Fosu, 2010a, p. 818); "The responsiveness of poverty to income is a decreasing function of inequality, and the inequality elasticity of poverty is actually larger than the income elasticity of poverty" (Fosu, 2010b, p. 1432); and "In general, high initial levels of inequality limit the effectiveness of growth in reducing poverty while growing inequality increases poverty directly for a given level of growth" (Fosu, 2011, p. 11). This evidence is consistent with studies focusing on Africa (Fosu, 2010ac) and a broad sample of developing nations (Fosu, 2010b; Asongu et al., 2014).

Second, Africa's growth resurgence has been marred by inequality (Blas, 2014; Veselinovic, 2015). According to Veselinovic (2015), Africa's growth has been characterised by the rich getting richer and the poor getting poorer. According to the narrative, the continent is characterised with inter alia, (i) seven of the 10 fastest-growing economies in the world, (ii) the highest expected-increase in the number of multimillionaires over the next 10 years (59%) and (iii) 6 of the 10 countries with the highest inequalities, notably: South Africa (65), Namibia (61.3), Botswana (60.5), Zambia (57.5), Central African Republic (56.3) and Lesotho (54.2).

The facts on inequality substantially contrast with a recent strand of literature on Africa rising (Young, 2012; Leautier, 2012; Alan & Carlyn, 2015; Fosu, 2015a). The continent is becoming the destination for luxury commodities (e.g Nigeria being a top Champagne market) and about 45% of Africans are still living in extreme poverty (Asongu & Kodila-Tedika, 2015). It follows that, the fruits of economic prosperity gathered in recent decades have not rolled-down to the poor. Moreover, the resource-industries driving African growth (Bond et al., 2010), intuitively do not employ a substantial bulk of the population because they are capital-intensive for the most part. Hence, the growth is not broad-based as only a few elite are benefiting from the economic prosperity.

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5. RESOURCE-RICH COUNTRIES, TRANSFER MISPRICING (TM), AND CAPITAL FLIGHT

Consistent with the caution in the introduction, illicit capital flight is only an aspect of TM. We have seen above that TM contributes to more than 50% of illicit capital flight from developing countries. Consistent with Asongu (2014d), most of the illicit capital flight in Africa is driven by resource-rich nations (EURODAD, 2008, p.7). Hence, interactions among resource-wealth, TM and illicit capital flight are fundamental to the poverty tragedy or the spirit of poverty in SSA (Asongu, 2015a). But in order to fully understand these nexuses, it is important to engage how illicit capital flight is linked to poverty.

Drawing from Asiedu et al. (2012) and Asongu (2015a), one of the justifications put forward for Africa's underdevelopment is the shortage of investment capital. In line with the Harrod-Domar model, three arguments have been advanced: (i) Africa is confronted with a 'financing gap' issue because invested capital is substantially lower than the capital required for sustainable growth investment; (ii) long-run development is achievable with the bridging of the 'financing gap' and (iii) for the 'financing gap' to be filled, the continent would need external finance in the forms of development assistance and debts. It is in this light that calls for more development assistance have been increasing after unsuccessful attempts at attracting foreign direct investment (FDI) through domestic financial markets and liberalisation policies (Asiedu, 2004; Asongu, 2012). According to the authors, the relevance of external finance in Africa's development has been encapsulated in the New Partnership for African Development (NEPAD) and the Millennium Development Goals (MDGs).

In line with Asiedu et al. (2012), dependence on external finance by African countries to fight poverty is problematic for a threefold reason. First, development assistance and FDI are extremely volatile and such volatility has substantial adverse consequences on recipient economies, especially during global financial meltdowns (see Kangoye, 2013; Quartey & Afful-Mensah, 2014). Second, a bulk of recent literature has also shown that the impact of development assistance on economic growth is ambiguous. These includes, provocative narratives like 'foreign aid follies' (Rogoff, 2014), sceptical surveys from more than four decades of development assistance (Doucouliagos & Paldam, 2008, 2009), radical positions (Asongu, 2014c) and clarifications on the questionable economics of development assistance in Africa (Asongu, 2015b), and inter alia, the need to reinvent foreign aid for inclusive and sustainable development in light of Piketty's (2014) celebrated literature (Asongu, 2015c). Third, efforts at attracting FDI to the SSA sub-region have not been very successful (Asiedu & Lien, 2011; Anyanwu, 2012). This narrative is consistent with the bulk of African business literature (Rolfe & Woodward, 2004; Bartels et al., 2009; Asongu, 2013ab).

The current of literature above provides evidence to the fact that, the use of foreign aid to compensate for TM and/or illicit capital in SSA has several shortcomings. In essence, given that previous attempts at attracting other forms of external financial flows like FDI have not been successful and with the tendency unlikely to change in the near future, it would be unrealistic to suppose that overly reliance on development assistance would in the short- and medium-runs compensate for Africa's investment needs. While solutions to the issue have varied from self-reliance (Fofack, 2014) to the recommendation '*that sub-Saharan African nations establish effective strategies toward mitigating illicit capital flight within the framework of a broader agenda of resource mobilization for economic development*' (Asongu, 2015, p.19), the conjectures of Fosu presented in Section 3 clearly emphasise the need to improve inequality structures before the growth benefits in poverty eradication can be fully reaped. Hence, TM is as im-

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portant to existing inequality structures in policy priority. Therefore, the two policy syndromes should be tackled simultaneously, with greater emphasis on structural inequality. We illustrate narratives in the last-four sections with the case study of Zambia.

6. CASE STUDY: ZAMBIA, TRANSFER MISPRICING, GLENCORE, THE COPPER INDUSTRY, AND POVERTY

TM represents a rational asymmetric development issue of how much profit is fair? In other words how much should be rationally stolen from Africa by MNEs operating in resource-rich countries? As far as we have reviewed, a case study that can objectively illustrate the line of inquiry addressed by this chapter is Zambia, Glencore and the Copper industry. Glencore Plc is an Anglo-Swiss MNE, specialized in mining and commodity trading, headquartered in Baar-Switzerland, ranked 10th of the Fortune Global 500 of the world's largest corporations and third largest family business of the world (Why Poverty, 2013). Zambia as a nation has been blessed with abundant natural resources, especially in copper. However, the paradox is that the country is ranked among the bottom 20 in terms of poverty. Hence, the country is rich and at the same time poor, which translates the issues of inequality and asymmetric development (Why Poverty, 2013).

The overarching issue is why Zambia with its abundant natural resources is one of the world's poorest countries? In other words, why have booming copper prices not reduced her poverty? This has been widely debated in political and academic circles. In the former, some parliamentarians have even threatened to walk to the copper mines and request them to pay their taxes. On the latter, there is an evolving stream of literature on TP in the Zambian copper industry (Ping, 2007; Azémar & Corcos, 2009; Adam & Simpasa, 2010; Why Poverty, 2013). While copper represents averagely more than 70% of exports, the 'copper share of fiscal revenue' and 'copper revenue/GDP' have revolved respectively between 0.1% and 12.9% and between 0.0% and 2.8% for the period 1994-2008 (Meller & Simpasa, 2011, p.20). Despite the fact that the price of copper nearly quadrupled between 2001 and 2008, the shares of copper in fiscal revenue and 'revenue as a % of GDP' remained averagely unchanged. For instance in 2006, while Copper exports from Zambia stood approximately at 3 billion USD, corresponding tax revenue was just 50 million USD. And given that the Zambian government has an underlying contract of furnishing electricity, which stood at 150 million USD for that year, it was a loss to the Zambian economy (Why Poverty, 2013). The fact that tax revenues paid by mining industries to Zambia did not increase correspondingly with the burgeoning of world copper prices eloquently translates the concept of TM. In 2008, '*if Zambia had received for its copper exports the same price that Switzerland declared for its copper exports, in the same quite detailed commodity categories, Zambia's GDP would have nearly doubled that year*' (Why Poverty, 2013, 40:00mins to 40:15mins).

An audit of Mopani Copper Mines, initiated by the Zambian government has established evidence of TM. When the report was made public, the European Investment Bank suspended further loans to Glencore. The case has been reported to the OECD by one Zambian charity on charges that Glencore has been violating tax-related guidelines. Unfortunately, failure by Glencore to cooperate has led the OECD to admit it can do nothing about the case if one party refuses to cooperate (Why Poverty, 2013).

Glencore is the world's largest integrated commodity trader, with a yearly turnover of approximately 180 billion USD which is more than 8 times the GDP of Zambia. It controls Mopani Copper Mines in

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Zambia, with a 73% stake and all copper produced by Mopani is sold to Glencore. The copper from Zambia is sold among subsidiaries of Glencore such that the highest margins are obtained from those located in countries with low or no tax requirements (Why Poverty, 2013).

Environmental issues have also been raised, with some of Glencore's activities suspended because of diluted acids drifting from production plants to homes. There have been incidences in 2005 and 2008 in which contaminated water has sent hundreds of people in townships near the Mopani Copper Mines to hospitals. Sulfur dioxide emitted by the mines is causing severe respiratory problems. Some accounts even sustain that the emissions of impurities by the mines is about 1000 times higher than the limits tolerated by the World Health Organization (WHO) (Why Poverty, 2013). We resist the itch of engaging this dimension further because it may derail us from the TM focus of the study.

Today, with the copper boom, unemployment is not decreasing and about 64% of Zambians still live below the poverty line (Why Poverty, 2013). Moreover, it is the fourth country with the highest inequality rate in the world (Veselinovic, 2015). A logical implication here is that even in the absence of TM, the elite of the country would still exercise rational asymmetric development practices by preventing the juice of economic prosperity from trickling down to the poor. Hence, it is fundamental to deal with the inequality structures in the country, so that, if and when fair taxes are paid by MNEs, their externalities are broad-based and not captured by a few.

We now devote some space to engaging how financial reporting standards in Zambia are being improved to address discussed TM issues. According to Curtis & Todorova (2011, p.23), the following general and specific and considerations elucidate Zambia's response to TM. First, on the general consideration, the country has fully adopted OECD guidelines on the issue. But while, the Zambia Revenue Authority (ZRA) requires documentation to be provided to justify TP, no specific guidance is provided concerning the quantity and quality of sufficient documentation. TP issues are tackled under general anti-avoidance provisions because there are no specific TP penalties. The authors further articulate that the ZRA does not possess its own TP database and areas reviewed by the underlying authority include: purchase of trading goods, royalties and management of fees. While the ZRA is improving its human resources through trainings abroad, there is yet no move to establish a unit within the organisation that specifically addresses TP issues.

Second, on the specific considerations, authors of the report caution that taxpayers should exercise caution when planning to enter the domestic market. Whereas subsidiaries and branches are objects of the same statutory rates, there are inherent disparities in the manner in which transfer of funds by related parties are treated. In essence, while funds may be repatriated to a related party 'free-of-withholding tax' by a branch, a subsidiary (absent a treaty) is obliged to declare a dividend. Therefore the latter fund is subjected to a 15% tax withhold. It follows that it is advisable to locate a holding company in a treaty country (Curtis & Todorova, 2011).

7. CONCLUDING IMPLICATIONS

A recent publication by the World Bank on Millennium Development Goals (MDGs) has established that extreme poverty has been decreasing in all regions of the world with the exception of sub-Saharan Africa (SSA), in spite of over two decades of growth resurgence. This chapter has explored the role of transfer pricing in SSA's extreme poverty tragedy. The analytical structure entails: (i) emphasis of rational

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asymmetric development as the dark side of transfer pricing; (ii) linkages between financial reporting, international financial reporting standards (IFRS), transfer pricing and poverty; (iii) evidence that the recent growth resurgence in African countries has been driven substantially by resource-rich countries which are experiencing high levels of exclusive growth and extreme poverty; (iv) the practice of transfer mispricing by multinationals operating in resource-rich countries of SSA and (v) a Zambian case study of extreme poverty and transfer mispricing by Glencore in the copper industry.

Two main policy implications are derived for the fight against extreme poverty. First, Africa needs to deal with its inequality structures, because the current tendency shows that even in the absence of transfer pricing, inequality is still worsening. Second, the concept of rational asymmetric development is not only limited to the relationship between developed nations and African countries by the bond of transfer mispricing or illicit capital flows. Such tax avoidance mechanisms also substantially exist between the rich and poor segments of African populations. Hence, the rich of poor countries also device all kinds of schemes to avoid declaring their full incomes and hence, limiting the tax paid for the ultimate delivery of collective or public commodities.

In essence, if the component of growth that survives transfer mispricing practices cannot trickle down to the poor, there is no guarantee that even with the absence of detrimental transfer pricing, the incremental growth would trickled-down to the poor. Dealing with the structures promoting inequality would entail, inter alia, understanding the role of inequality in poverty-growth transformations. Accordingly, inequality substantially affects the relationship of growth on poverty because the inequality elasticity of poverty is higher than the growth elasticity of poverty (Asongu & Kodila-Tedika, 2014). In more specific terms: "The study finds that the responsiveness of poverty to income is a decreasing function of inequality" (Fosu, 2010a, p. 818); "The responsiveness of poverty to income is a decreasing function of inequality, and the inequality elasticity of poverty is actually larger than the income elasticity of poverty" (Fosu, 2010b, p. 1432); and "In general, high initial levels of inequality limit the effectiveness of growth in reducing poverty while growing inequality increases poverty directly for a given level of growth" (Fosu, 2011, p. 11). This evidence is consistent with studies focusing on Africa (Fosu, 2010ac) and a broad sample of developing nations (Fosu, 2010b; Asongu et al., 2014).

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ENDNOTES

1 It is important to note that Mlachila et al. (2014) have presented a comparatively more holistic measurement of inclusive development, termed 'quality of growth'.

2 This is broadly consistent with recent African development literature that has been focusing on, inter alia: unemployment (Anyanwu, 2013; Inekwe, 2013), pro-poor growth (Daouda, 2013), income-inequality (Caracciolo & Santeramo, 2013: Ncube et al., 2014), gender-inequality (Anyanwu & Augustine, 2013; Elu & Loubert, 2013) and poverty (Iwasaki & El-Laithy, 2013; Mkondiwa et al., 2013).

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Chapter 69
Population Growth and Urbanization in Africa:
Implications for the Environment

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ABSTRACT

This study examined the effect of population growth and urbanization on the environment (carbon dioxide emissions) for 37 sub Saharan African countries based on 1980-2010 annual data. Using the Pooled Mean Group estimation technique, the findings of the study show that affluence and industrialization have negative effect on the environment (increases carbon dioxide emissions) while urbanization does not have a significant effect on carbon dioxide emissions. The population variable is significant only in the long run but insignificant in the short run. Also, after controlling for the different age groups, the results show that the more active age group (15-59) is positive and significantly related to carbon dioxide emissions.

INTRODUCTION

Recent reports indicate that though there have been significant changes in the demography of the world in the last 20 years, changes in the size of the population have been more significant (United Nations [UN], 2014a). For example, the population of the world increased from 5.7 billion in 1994 to 7 billion in 2011 and an estimated figure of 7.2 billion in the beginning of 2014 and is expected to reach a population of 8.1 billion in 2025 and Africa's population growth is expected to contribute significantly to this.

Considering the limited facilities to support population growth in Africa, it is surprising to note that the region contributes 33 percent of the 82 million people added to the world's population annually. It is also expected to account for more than 80 percent of the global increase in population by 2050 (UN,

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2014a). These estimates are not farfetched considering the fact that Africa's population size has grown from an average of 297 million in 1960-1964; 383 million in 1970-1974, 503 million in 1980-1984, 660 million in 1990-1994, 747 million in 1995-1999, 841 million in 2000-2004 and 944 in 2005-2009[1] (see Table 1 in Appendix).

Like population growth, the rate of urbanization has increased rapidly around the world. In 2014, more than 54 percent of the world's population was urbanized compared with the 1950 rate of 30 percent (UN, 2014b). Urbanization in Africa is increasing at a very fast rate. For example, urban population increased from an average of about 59 million in 1960-1964 to 75 million in 1965-1969, 94 million in 1970-1974, 117 million in 1980-1984 to 178 million in 1985-1989 (see Table 1 in Appendix). The average rise in the average urban population has been more profound after the 1990s. For example, the period 1990-1994 saw average urban population size of 216 million. This figure increased to an average of about 259, 306 and 361 million for the periods 1995-1999, 200-2004 and 2005-2009 respectively. The rapid rate of urbanization is attributed mainly to the movement of people from the rural areas to urban centers to seek jobs in both the formal and informal sectors and a better standard of living (Todaro, 1997).

The rapid population growth and urbanization are associated with high rate of infrastructural development and huge energy demand, all of which pollute the environment and consequently detrimental to the environment and human health (Shahbaz et al., 2014). Increasing urbanization implies increasing formation of cities, and as Sadorsky (2014) notes, cities usually become wealthier by expanding their manufacturing which can adversely affect the environment. Temurshoev (2006) asserts that developing countries generally experience higher levels of environmental degradation because of their lax environmental regulations. This is consistent with the observation that carbon dioxide emissions have increased consistently over the years from 171 million metric tonnes in 1964 to 446 million metric tonnes in 1979 and over 1100 million tonnes by 2010 (see Table 1 in Appendix).

Environmental degradation, especially the emission of carbon dioxide is believed to be the main cause of climate change (Kessel, 2000; Pittock, 2003; Rehan and Nehdi, 2005), which has adverse effect on agriculture, particularly in the tropics (IPCC, 2001). The implication is that the poorest parts of the world are in danger of escalating hunger (IPCC, 2001). Besides, climate change is also believed to have adverse effect on human health (see, Kurane, 2010; Dhillon and von Wuehlisch, 2013). Though population growth and urbanization might be good for education, health care, housing and other essential services if well organized (UN 2014a), it can pose great danger to human development if not well planned. Sub-Sahara Africa (SSA) recorded the lowest human development index (HDI) of 0.502 in 2013 (United Nations Development Programme [UNDP], 2014) amidst increasing population and urbanization. Africa also remains the poorest continent in the world (Handley et al., 2009).

In view of the rapid population growth and urbanization, this chapter seeks to examine its effects, if any, on the environment in Africa. Studies of this sort are very relevant due to the devastating effect of environmental degradation to the health of people, agriculture and the environment as a whole. Despite the fact that the poorest (developing) countries contribute the least to carbon dioxide emissions, they are the hardest hit victims of the consequences of climate change (Tiwari, 2011). Though the relationship between population growth and the environment has been studied (see for example, Dietz and Rosa, 1994; York et al., 2003; Cole and Neumayer, 2004; Poumanyvong and Kaneko, 2010; Zhu and Peng, 2012), the focus has majorly been outside Africa. This study therefore fills the gap in literature on Africa. Further, we contribute to the literature by examining not only the population size but also its structure in terms of the demographic dynamics and how it affects the environment.

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The chapter proceeds as follows; the next section provides a background of the chapter (this entails a theoretical concept and a review of some related empirical studies). The third section describes the main focus of the chapter (this highlights on the focus of the chapter, methodology and results). The fourth section contains solutions and recommendations of the chapter. This is followed by suggestions for future research and conclusion.

BACKGROUND

The literature on environmental degradation (emissions) can broadly be classified into four strands;

1. The first and the traditional one creates a link between emissions and economic growth in the quest to test the efficacy of the environmental Kuznets Curve (EKC)[2],
2. The second tests the pollution haven hypothesis (PHH)[3], by finding the impact of trade openness and foreign direct investment (FDI) on emissions,
3. The third examines the relation between population growth (and urbanization) and emissions,
4. The last looks at the link between energy consumption and emissions[4].

Considering the focus of the chapter, the literature on population growth (and urbanization) and emissions (the environment) is emphasized. The genesis of the impact of population growth on the environment can indirectly be traced to the Malthusian Theory of Population. It must however be stated that Malthus' take on the impact of population growth on the environment had to do with depletion of land resources (mainly food) for human subsistence and not necessarily environmental degradation. Malthus hypothesized that if population is not controlled it will grow in a geometric progression as the means of subsistence will grow in an arithmetic progression. With this he explained that population growth will always exceed the means of subsistence and the world will be characterized by famine, war, and diseases among other vices. It must however be emphasized that the Malthusian Population Theory has been criticized for being short-sighted as it does not take technological innovation into account (see, Boserup, 1981). Besides, to a large extent history has proven Malthus wrong as the production of food has far surpassed the growth in population (Urdal, 2005).

Despite the heavy criticisms of the Malthusian Population Theory, some neo-Malthusians still believe population growth can adversely affect agricultural (food) production and have gone further to emphasize that population growth could lead to environmental deterioration (degradation)(see MacDonald, 1989; Ehrlich and Ehrlich, 1990; Ehrlich and Ehrlich, 1996) hence resulting in global warming and acid rain among others.

The effect of rising population and urbanization on the environment is also seen in the demand for energy. Birdsall (1992) supports the population growth/urbanization-energy demand nexus by opining that; i) a greater population translates into rising demand for energy and transportation, ii) rapid population and urbanization promote deforestation and the burning of wood for fuel. Temurshoev (2006) claims that growth in developing countries increases the rate of urbanization because of the transition from an agrarian to an industrial energy based economy. The consumption of energy has, however, been identified as the major contributor to carbon dioxide emissions (Halicioglu, 2009; Akpan and Akpan, 2012, Olivier et al., 2012, Farhani and Rejeb, 2012).

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Inferences can be drawn from the ecological modernization theory to explain the impact of urbanization on the environment (carbon dioxide emissions). The ecological modernization theory has widely been used by different scholars (sociologists, politicians and environmental activists) for different purposes. Within the context of modernization and environmental degradation, it is regarded as a social theory or environmental sociology that analyzes how changing social practices in production and consumption affect ecological changes (Mol, 1997). The theory upholds urbanization as a social change that is considered as a vital factor of modernization and shows a threshold effect of modernization on the environment (Poumanyvong and Kaneko, 2010). In this light, the ecological modernization theory can be likened to the EKC hypothesis which predicts that at higher levels of economic development, environmental degradation reduces.

Empirically, using the STIRPAT (Stochastic Impacts by Regression on Population, Affluence and Technology) model and various panel estimation techniques for 16 emerging economies for the period 1971-2009, Sadorsky (2014) finds technology (proxied by energy intensity), affluence and population to have positive impact on environmental degradation. In the United Arab Emirates, Shahbaz et al. (2014) using data from 1975-2011 and the autoregressive distributed lag estimation technique demonstrate that urbanization and economic growth are positively related to emissions of carbon dioxide. Zhu and Peng (2012) expanding the STIRPAT model and using the ridge regression method report urbanization to positively impact carbon dioxide emissions in China for the period 1978-2008. Martinez-Zarzoso and Maruotti (2011) also explore the STIRPAT and carbon dioxide emissions for 88 developing countries for the period 1975-2003 and report that the elasticity of emission-urbanization is higher than unity in lower income and lower-middle income countries. However, in upper and highly developed countries, the elasticity of emission-urbanization is negative. In light of their findings based on OLS and GMM estimates, the authors conclude that the urbanization/population growth–carbon emissions nexus is moderated by a country's level of development. York et al. (2003) use a cross-sectional data of 1999 for 146 countries and the OLS within the STIRPAT model and find population, urbanization, GDP per capita and share of industry in GDP to positively impact on carbon dioxide emissions.

Leitao and Shahbaz (2013) using data from 18 countries for the period 1990-2010 and the GMM estimator find that while income per capita impacts positively on carbon dioxide, urbanization has a negative effect on carbon dioxide emissions. Sharma (2011) controls for the level of development for a panel of 69 countries and reports that urbanization, trade openness, and per capita electric power consumption have negative effects on the CO_2 emissions.

Poumanyvong and Kaneko (2010), however, report that the share of industry in GDP to be insignificant while population density and urbanization are found to be significantly related to carbon dioxide emissions, while Cole and Neumayer (2004) show that population size and urbanization have insignificant impact on emissions.

MAIN FOCUS OF THE CHAPTER

The main focus of this chapter is to analyse the impact of population growth and the increase in urbanization on the environment in Africa. All over the world the issues of the environment particularly those relating to climate change have attracted much attention from governments, international bodies and scholars alike. This attention has keenly been drawn considering the adverse consequences of

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climate change on the environment. In addition to the campaigns and investments of governments and international bodies, scholars mainly in the fields of ecological economics (and also environmental and resources economics) have attempted to study the impact various economic and non-economic factors (variables) have on the environment, hence their likelihood to contribute to climate change. A number of these studies have found variables such as economic growth, trade openness, population, industrialization, energy consumption among others to explain changes in the environment (which is usually proxied with the emissions of carbon dioxide). Nevertheless, the outcomes of these studies do not move in the same direction, hence not conclusive. In following studies conducted in other countries and regions of the world, this chapter makes a case for Africa, which is believed to suffer the most from the consequences of the environment, thus the effect of climate change.

Assessing the effect of population growth, urbanization, human behavior and activities on the environment has widely been conducted within the premise of the famous IPAT ($I = PAT$) identity put forward by Ehrlish and Holdren (1971). The identity postulates that environmental impact (I) is determined by the combinations of three factors namely population (P), affluence (A) and technology (T). In essence the identity implies that changes in the environment (such as emissions) are caused or determined by the size of population, affluence or consumption, and technology.

Though the IPAT identity provided a model for analyzing environmental impact, the identity is usually criticized on two grounds (see Dietz and Rosa, 1994, 1997); i) the identity was upheld to be only a mathematical identity and therefore does not provide a stochastic model for testing hypothesis about the demographic and anthropogenic factors of environmental changes. That is, the impact (elasticity) of population, affluence and technology on environmental impact are assumed to be unitary. For example, a 10 percent rise in population size, affluence and technology cause environmental impact to also rise by 10 percent respectively. This is however contrary to the EKC which posits an inverted U-shaped relation between the environment (emissions) and economic growth.

Following the criticisms and limitations of the IPAT identity, Dietz and Rosa (1997) proposed modified stochastic version known as the STIRPAT (Stochastic Impacts by Regression on Population, Affluence and Technology) model. The specification of the STIRPAT model can be given as;

$$I_i = \propto P_i^{\beta_0} A_i^{\beta_1} T_i^{\beta_2} e_i \tag{1}$$

Where I represents environmental impact, P is population size, A is affluence and T is technology. i denotes the unit of analysis (usually a country), $\propto$ is the constant term to be estimated, and the β's are parameters of P, A and T to be estimated. e is the error term of the regression. Distinct from the IPAT identity, STIRPAT model has been defined to include other variables such as urbanization (see for example; Martinez-Zarzoso and Maruotti, 2011; Sharma, 2011; Zhu and Peng, 2012; Shahbaz, 2013).

In specifying our model, we adopt Equation (1) and include urbanization (U) .We write the model in an estimable econometric form as;

$$I_{it} = \propto + \beta_0 P_{it} + \beta_1 A_{it} + \beta_2 T_{it} + \beta_3 U_{it} + \varepsilon_{it} \tag{2}$$

$$i = 1, 2, 3, \ldots, 37 \quad t = 1, 2, 3 \ldots, T$$

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Where i represents each of the 37countries[5] used in the study and t is the time period considered. All other variables are as already defined. We measure I as environmental degradation proxied with the emissions of carbon dioxide (metric tonnes per capita) as used in several studies (see for example, Dietz and Rosa, 1997; Shi, 2003; Poumanyvong and Kaneko, 2010; Zhu and Peng, 2012; Shahbaz et al., 2014). P is measured by total population. We further disintegrate population into various age distributions:

1. Population ages 0-14 years ($P1$),
2. Population ages 15-64 years ($P2$),
3. Population ages 65 years and above ($P3$) - to find their different impact on the environment. The population age distributions are all expressed as a percentage of total population.

A is measured by real GDP per capita, constant 2005 US Dollars and T by the share of industry in GDP (see Shi, 2003; York et al., 2003; Poumanyvong and Kaneko, 2010; Sadorsky, 2014). U is measured by urban population as a percentage of total population.

All the variables in equation (2) are expressed annually and cover the period 1980-2010. All variables are expressed in the logarithm form and obtained from the World Development Indicators. See Table 2 in Appendix for descriptive statistics for the variables. In working with macroeconomic time series variables, one of the important requirements is to undertake stationarity test so as to determine the order of integration of these variables. Establishing the order of integration serves as a guide as to the choice of estimator to employ. As a result, we employ the use of Breitung (2000)[6] and Hadri (2000)[7] panel unit root tests. The Breitung test results (see Table 3 in Appendix) indicate that all the variables but total population and industry as a share in GDP variable are nonstationary. However, using the Hadri test which has a different null hypothesis of stationarity all the variables are found to be strongly nonstationary. These tests are conducted to make sure no series exceeds order one.

Having established the level of integration, we proceed with the estimation of equation (2). We employ the use of the Pooled Mean Group (PMG)[8] by Pesaran et al. (1999), which is an intermediate estimator between the Mean Group (MG)[9] and the traditional pooled estimators such as the fixed and random effects estimators[10] (Pesaran et al., 1999). The PMG estimator is analogous to the time series autoregressive distributed lag estimator (Pesaran et al., 1999) applied to panel data.

We present results from four models ([I], [II], [III] and [IV]), differentiated by the measure of population (i.e. total population, population ages 0-14 years, population ages 15-64 years and population ages 65 years and above) in Table 4 (see Appendix).

In all the models, the dependent variable is I (measured by carbon dioxide emissions, metric tonnes per capita) which is a proxy for environmental degradation. The error correction term (ec) is consistently correctly signed negative and statistically significant at the one percent error level in all the estimated models. This guarantees convergence to equilibrium in the long-run following a shock in the short-run.

Unexpectedly and inconsistent with many empirical studies (see for example; Shi, 2003; Cole and Neumayer, 2004; Martinez-Zarzoso and Maruotti, 2011), the population variables generally indicate negative relationship with environmental degradation in the long-run and statistically insignificant in the short-run. In Models [I], [III] and [IV] in which population is proxied by total population, population ages 15-64 years and population ages 65 years and above respectively, show statistically significant negative relationship between population and environmental degradation in the long-run. However,

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consistent with literature, in model [II) where population age group 0-14 years is used as a proxy, the results indicate a statistically significant positive coefficient in the long-run; implying that an increase in the population of this age distribution increases environmental degradation.

As expected, the results indicate a statistically significant (ranging between 1 and 5 percent) positive relationship between affluence (measured by real GDP per capita) (see for example Poumanyvong and Kaneko, 2010; Sharma, 2011; Leitao and Shahbaz, 2013; Sadorsky, 2014; Shahbaz, 2014). The long-run results corroborate that of the short-run, which implies that as economic growth increases or as the countries become richer they tend to harm the environment more by generating more carbon dioxide. This outcome is not surprising as Africa is a developing region and the governments have put in several measures and strategies to help boost growth to better the lots of its people.

Regarding the technology variable (measured by the percentage share of industry in GDP), the results consistently show statistically insignificant coefficients in models I through III in the long-run. However, in model IV the results show a statistically positive relationship between technology and environmental degradation in the long-run. This is evident in several previous studies (see for example, York et al., 2003; Poumanyvong and Kaneko, 2010; Martinez-Zarzoso and Maruotti, 2011; Sadorsky, 2014). In the short-run, the results indicate statistically significant positive relationship between technology and environmental degradation in all the estimated models. This implies that technology largely increases emissions in the short-run.

Another surprising outcome is that of the urbanization variable, which has statistically insignificant coefficients in the models. This implies that environmental degradation in Africa is not influenced by urbanization. This outcome is evident in other studies such as Martinez-Zarzoso and Maruotti (2011) and Sadorsky (2014) and Cole and Neumayer (2004). This might be explained by the fact that though urbanization is on the rise in the region, access to energy (particularly electricity) is limited. The region is noted to have the largest energy deficit among the developing world. The International Energy Agency (IEA) (2014), for example, notes that two-thirds of the population in sub-Saharan Africa is without access to electricity. One would expect the increase in urbanization to increase with emissions if energy consumption were high with this increase in urbanization. However, the lack of access to energy by many countries in the region might explain why the result do not indicate a positive relationship between urbanization and carbon dioxide emissions.

SOLUTIONS AND RECOMMENDATIONS

Considering the fact that the emission of carbon dioxide has detrimental effect on the environment, it is recommended that various measures to curb the emissions through, for example, improved technology and increased access to electricity as opposed to the use of traditional energy sources, and an effective regulatory regime could be important in reducing environmental degradation. One practical way to do this in many African countries is the policy of taxing or pricing of emissions. This could be achieved through the issuance of taxes on emissions levied mainly against industry players, which will cause industries to adopt less polluting technologies.

Though urbanization is found to have no effect on environmental degradation, it is recommended that government plans for urbanization so as to reduce slums as this can harm the environment. In Africa, growth in urbanization imply growth in slums as about 62 and 13 percent of the urban population in SSA and North Africa respectively live in slums (United Nations Human Settlements Programme [UN-

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HABITAT], 2012). Finally, because of the funding constraints in many African countries, a simple and less costly but effective means to reduce the adverse effects of carbon dioxide emissions is the policy to promote afforestation. The trees planted have the capacity to reduce the amount of carbon dioxide in the atmosphere as they absorb and use it for the production of their food. From this perspective then, it will also be appropriate to have in place policies that regulate the unnecessary and unauthorized cutting down of trees and promote agricultural practices that reduce the tendency towards bush burning.

FUTURE RESEARCH DIRECTIONS

Due to limited access to data, all the countries in Africa could not be covered in this study. It is suggested that future studies should include all countries in the region for a constructive conclusion as data becomes available. Future studies should also look at the actual impact urbanization and population growth are having on carbon dioxide emissions and in particular climate change more generally in specific countries to identify how these are impacting on the livelihoods of the people.

CONCLUSION

This chapter has investigated the effect of population growth and urbanization on the environment in Africa within the framework of the STIRPAT model using the PMG estimation method. The empirical findings reveal that the population and urbanization variables do not have detrimental effect on the environment. However, on controlling for age distribution, the results show the 0-14-year category is significantly correlated with environmental degradation. Overall, the results imply that affluence (economic growth) and technology (mainly in the short-run) are the main variables within the STIRPAT model which have detrimental implications on the environment. The chapter has contributed to the literature by showing that environmental degradation in Africa is enhanced by affluence and technology (industrialization) rather than population and urbanization.

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KEY TERMS AND DEFINITIONS

Affluence: The wealth of the people or the economy, this is generally referred to as the gross domestic product.

Carbon Dioxide: A naturally occurring gas or by-product of burning fossil fuels and biomass, and the primary greenhouse gas that is contributing to climate change.

Climate Change: Long-term changes in the climatic conditions of a particular location or region that results in adverse environmental factors for human development.

Environmental Degradation: This is the deterioration of the environment through the misuse or depletion of factors such as air, water and the earth.

Population Growth: The rate at which the number of people increases over a given period of time.

Technology: This depicts industrialization or the potential and capacity of the economy to convert raw materials into semi-final or final outputs.

Urbanization: The increase in the number of people living in urban areas which is mainly as a result of people moving from rural areas to urban centers.

ENDNOTES

1 The data is sourced from the Africa Development Indicators. It ends in 2009 because data on carbon dioxide emissions in Africa as a whole which is also used in the study ends in 2009.

2 The EKC is the hypothesis that the relationship between environmental degradation and economic growth exhibits an inverted-U shape nature (Grossman & Krueger, 1991**;** Kijima et al., 2010). The inverted-U shape nature implies that at the initial stages of an economy's growth environmental degradation increases but as it achieves higher growth, the environmental degradation reduces and hence environmental quality sets in.

3 The PHH postulates that with trade liberalization, multinational firms from developed countries will relocate the production of their pollution intensive products to developing countries where there are lax environmental regulations (Eskeland and Harrison, 2003). This will result in increased environmental degradation in developing countries.

4 See for example, Soytas et al. (2007), Menyah and Wolde-Rufael (2010), Akpan and Akpan (2012), Arouri et al. (2012).

5 Algeria, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo Republic, Cote d'Ivoire, Democratic Republic Congo, Egypt, Gabon, Ghana, Guinea Bissau, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Niger, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Togo, Tunisia and Zambia. The selection of countries and time period has been limited by data availability.

6 This test that does not employ a bias adjustment, and it power is significantly higher than that of other tests like the Levin et al. (2002) and the Im et al. (2003) tests.

7 This test exhibits robust results with small sample sizes.

8 The PMG imposes homogeneity in the long-run coefficients while at the same time permitting heterogeneity in the short-run coefficients and the error variances. Different from other estimators

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such as the dynamic OLS and the fully modified OLS; (i) the error terms are serially uncorrelated and are independently distributed among the regressors, (ii) the long-run parameters are the same across cross-section, (iii) the PMG provides consistent and efficient long-run estimators when parameter homogeneity holds. However, all these estimators assume long-run relationship between the dependent and independent variables. See Pesaran et al. (1999) for more detail.

[9] It produces consistent estimates of the average of the parameters.

[10] They allow the intercepts to differ across groups while all other coefficients and error variances are constrained to be the same.

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APPENDIX

In Table 1, population is total population, urban is the size of urban population and emissions are carbon dioxide emissions measured in metric tonnes. All figures are for Africa and expressed in millions.

Table 1. Population, urbanization and population

Year	Population	Urban	Emissions
1960-1964	297.39	58.82	171.37
1965-1969	336.72	74.97	244.67
1970-1974	383.00	93.76	355.06
1975-1979	437.98	116.57	445.61
1980-1984	503.32	144.63	587.71
1985-1989	578.38	178.08	703.21
1990-1994	660.41	216.69	728.42
1995-1999	747.52	258.94	814.24
2000-2004	841.42	306.02	926.96
2005-2009	944.05	360.71	1125.82

(Data source: Africa Development Indicators)

Table 2. Descriptive statistics

Variable	Obs.	Mean	Std. Dev.	Min.	Max.
	1147	-1.139	1.451	-4.479	2.338
	1147	6.631	1.065	3.913	9.475
	1147	2.419	0.752	1.867	4.349
	1147	15.592	1.516	11.073	18.889
	11647	3.745	0.1482	3.052	3.919
	1147	3.981	0.081	3.85	4.264
	11476	1.214	0.272	0.681	2.088
	1147	3.463	0.543	1.468	4.451
	1147	-1.32	6.154	-10	10

(Source: Author's Construct)

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Table 3. Results of panel unit root test

Variable	Breitung Test				Hadri Test	
	Levels		First Difference			
	Statistic	P-Value	Statistics	P-Value	Statistic	P-Value
	-1.26172	0.1035	-8.46292***	0.0000	11.5984***	0.0000
	2.16709	0.9849	-8.60144***	0.0000	15.1008***	0.0000
	-2.66585***	0.0038	-4.37444***	0.0000	4.83541***	0.0000
	-2.03156**	0.0211	-0.02322	0.4907	22.0923***	0.0000
	4.84256	1.0000	-2.94548***	0.0016	20.5182***	0.0000
	1.69695	0.9551	-4.94784***	0.0000	19.6039***	0.0000
	-0.60788	0.2716	-3.34881***	0.0004	19.6035***	0.0000
	10.3877	1.0000	-1.36079*	0.0868	20.8755***	0.0000
	-3.10875***	0.0009	-9.91689***	0.0000	16.1351***	0.0000

(Source: Authors' Construct)

*, ** and *** indicate significance at 10, 5 and 1 percent levels respectively. The null hypothesis of Breitung test is that the series are non-stationary in the levels while that of Hadri test is that they are stationary in levels.

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Table 4. Long- and short-run estimation results

Variable	[I]	[II]	[III]	[IV]
	-0.4693***	-0.4958***	-0.5043***	-0.4889***
	(0.0488)	(0.0490)	(0.0487)	(0.0475)
Long-run				
	0.8151***	0.9771***	0.1053***	0.9374***
	(0.0542)	(0.0683)	(0.0556)	(0.0516)
	0.1251	0.1541	0.0609	0.3792***
	(0.1099)	(0.1039)	(0.0975)	(0.0830)
	-0.2318***			
	(0.0805)			
		0.2748***		
		(0.1112)		
			-0.6059**	
			(0.2165)	
				-0.1419**
				(0.0626)
	0.1509	-0.0767	-0.0599	0.0776
	(0.1068)	(0.0921)	(0.0910)	(0.0731)
Short-run				
	0.5159***	0.6853**	0.7197**	0.4493***
	(0.2120)	(0.2902)	(0.2827)	(0.1513)
	0.1615**	0.0673**	0.1346**	0.1573**
	(0.0690)	(0.0673)	(0.0656)	(0.0621)
	1.0481			
	(6.6403)			
		6.277		
		(9.003)		
			-8.1293	
			(9.8625)	
				24.3035**
				(12.0900)
	-0.0755	-4.9253	-6.1498	-1.4147
	(5.0577)	(5.500)	(5.6034)	(4.4045)
No. of Ctries	37	37	37	37
No. of Obs.	1110	1110	1110	1110

(Source: Authors' Construct)

Note: is the dependent variable in all the models. ** and *** indicate significance at 5 and 1 percent levels respectively. Values in () are standard errors.

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Chapter 70
Women Entrepreneurs Address Poverty and Social Change Through Empowering Grassroots Initiatives in Tanzania

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ABSTRACT

This chapter investigates the story of Jitahidi women in Tanzania to understand the dynamics of empowerment at the grassroots level. The stories chronicled in this chapter present self-reliance events, motivations, and practical initiatives of a small entrepreneurial group of women, organized with shoestring budgets. Their goal was to establish a women's collective strength that could unleash women's lives from oppressive economic regimes, patriarchal traditions, gender inequality, gender discrimination, and socio-historical legacies that exploit women everywhere. The study revealed that dialogical way of thinking and underlying conventions wrapped-up in Women in Development activities in Tanzania were critical in providing the vision that guided the Jitahidi group to create a space for transformation and potential to empower women so as to define their own educational needs and create political organizations within the local community.

INTRODUCTION

This article presents the case of *Jitahidi* women entrepreneurs in Tanzania and explains how they addressed poverty and social change by establishing grassroots cooperative business activities. This case analyzes the invisible but vital roles African women play in feeding their families and contributing to development. There is a tacit but general agreement however that women's economic empowerment is critical for development and women entrepreneurs are a great resource in Sub-Saharan Africa region (Hallyward-Driemeir, 2013).

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In recent years, microfinance lending institutions (e.g., Savings and Credit Co-operative—SACCOS) have boosted women's economic empowerment enterprises in Tanzania even though microfinance is still relatively new (Nkomolla, 2007). Established in 1995, mainly to link women and poverty alleviation, microfinance has widely and officially become recognized as a tool for poverty eradication (Sizya, 2001). With its increased use and exposure to Tanzania, following the 2001 implementation of the National Microfinance Policy, microfinance lending and borrowing has grown exponentially to involve four main microfinance institutions namely, Foundation for International Community Assistance (FINCA), Promotion of Rural Initiative & Development Enterprises (PRIDE), and Small Enterprise Development Agency (SEDA) as well as the Tanzania Postal Bank (ILO, 2005).

Also, Community banks and small banks have taken interest in microfinancing, as well as many Non-Governmental Organizations (NGOs) and non-profit organizations. Currently, the directory has at the service of poverty eradication a total of 8 banks, 45 Community Based Organizations (CBOs), 2 companies, 95 Government programs, 1,620 SACCOs, 48 Savings and Credit Associations (SACAs) and 62 NGOs (Agyei-Holmes, 2013; Dill, 2010). It turns out that in the past two decades and beyond, civil societies, social movements and more recently, microfinancing institution shave come to flourish in response to the void left by the departing colonial governments at the dawn of political independence in the 1960s and 1970s, and later, through national governments, as they fulfilled their obligations in implementing a world program initiated by the United Nations in 2005, namely, the U.N. Millennium Development Goals (MDGs) that ensure global human wellbeing.

In the confluence of these developments, women are economically more active in the Sub-Saharan Africa region than in any other region (World Bank, 2011). Reports indicate that in most Sub-Saharan African countries, 80% of farming is done by African women with Indigenous knowledge passed from generation to generation also by women (Jagire, 2014). For example, women account for sustained increases in income, greater empowerment and social inclusion, health and caring for the elderly, education for children, mental health and happiness (Blattman et. al., 2013). In addition, women have a wealth of knowledge and expertise in farming and some status in social organization of families, where they have important roles as nutritionists, trainers and conservationists. They (women) "are the backbone of the agricultural economy in Tanzania." (Jagire, 2014, p. 165).

For these reasons, African women are seen as a great development resource of the community. The United Nations Development Program (UNDP) goals recognize the roles women play in the community, and consequently UNDP reckons that gender equality and women's empowerment are desirable by-products of human development (UNDP, 2008). However, patriarchal traditional practices continue to hamper their progress and agricultural knowledge remains a "male" exclusive domain—men own the land, they make decisions about land use, determine what or when to grow on the land, and ultimately keep the money derived from the harvest, particularly proceeds from sales of cash crops.

As a general observation, women in Sub-Saharan Africa operate too often in the informal sector, in small farms, and in traditional sectors (e.g., agriculture and other miscellaneous domestic activities) as compared to their counterparts in the North countries (Agyei-Holmes, 2013). In this instance, they are not fully able to realize their capabilities and potential (World Bank, 2009). Conversely, Tanzanian women, in particular, have invaluable knowledge in crop growing and management. They are also experts in environmental conservation whose beginnings or even impacts have not been solemnized having been kept largely invisible in their society (Wane, 2007; Jagire, 2014). Therefore, a persisting question is, 'Why do women lag behind in almost all sectors of the economy in Tanzania and elsewhere in African countries?'

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Blattman et al., (2013) explicated the question of women's participation in the economy to include, for example, providing inputs like cash and business skills to build sustainable sources of income. Blattman, et al.'s considerations portend the conception of "empowerment" to reflect the causes of poverty and the constraints that hold back the poor, particularly African women. Furthermore, Blattman et al. suggest that a discussion of economic empowerment (like reduced poverty and sustainable businesses) needs to take into account the broader forms of empowerment (like increased independence and reduced risk of domestic violence, etc.).

To examine some of these problems in relation to issues of *Jitahidi* women's empowerment is a multifaceted task and perhaps beyond the scope of this chapter. Suffice it to say, however, that many studies in various disciplines such as women's studies (Namabira & Kamanzi, 2013), women's cooperatives (Kamanzi, 2010), women in agriculture (Longwe, 1990), gender studies (Malhotra et al., 2009), and sociology (Kamanzi, 2012), continue to strengthen whatever arguments are proffered in relation to these pertinent problems. Essentially, this chapter draws insights from a case study that captures the story of *Jitahidi* Women's Cooperative (JCW) in Northern Tanzania. The case study analyzes the story of their aspirations and efforts to address poverty and social change in order to overcome gender discrimination, socio-economic inequalities and disempowerment. The chapter provides tentative answers pertaining to the empowerment processes and challenges facing this group of women, collected through a survey conducted from June 2009 to August 2012.

Notably, *Jitahidi* is a Kiswahili word coined to represent women's efforts to support development and empowerment. It is an expression that signifies a local metaphor that reflects the 'pulling up oneself by the bootstraps' or 'to improve or succeed by one's own efforts'. This metaphor represents the story of grassroots initiatives taken by *Jitahidi* women entrepreneurs poised to empower all women in the region. Their determination was to implement and invest in self-help enterprises in order to address poverty and social change. While the experience of empowerment is complex and inevitably complicated by socio-cultural and historical legacies that threaten women in rural and urban settings, empowerment is broadly defined in this chapter, as "the ability to make choices" and to overcome equality and empowerment gaps in education, employment, and political participation (Kabeer, 2005, p. 15).

The establishment of *Jitahidi* was inspired by Freire's (2002) approach to empowerment. Freire's ideas on empowerment have been adopted by different groups all over the world. The Freirean approach suggests that direct participation of community members through active dialogue strengthens the beliefs in people's ability to change their own lives. It also promotes control and ownership of empowerment projects. In sum, it gives back to women their voice, their visibility trampled over by extant patriarchal practices and the colonial-era legacy with its Eurocentric culture that devalued indigenous women.

The Freirean approach resonates with Nyerere's (Tanzania president 1962-1985) philosophy of adult education and adult learning which is considered very progressive amongst the international adult education community and non-governmental organizations engaged in development work. Nyerere's philosophy of adult education and *'Self-reliance'* echoes much of the concepts of 'conscientization', empowerment and liberation, very akin to the ideas expressed in Paulo Freire's Pedagogy of the Oppressed.

The *Jitahidi* women implemented some aspects of the Freirean "empowerment" framework. The initial plan was to restore in individuals a sense of their own values and strength, and their own capacity to "handle life's problems" (Dugan, 2003, p. 23). Simply put:

To empower women means to make them visible and thus giving back to them a learning experience that necessitates showing appreciation about shared knowledge in their community. Visibility to Tanzanian

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women recognizes them as active custodians of Indigenous knowledge and active contributors to the economy and wellbeing of the family (Jagire, 2014, p. 169)

The organization of *Jitahidi* as a cooperative was informally established in 2008 to address the Millennium Development Goals of eradicating poverty and redressing gender inequalities. The goal was to support women in adult education, entrepreneurial ventures, and to empower them to maximize their potential capabilities. It turns out that gender equality and women's empowerment is one of the eight United Nations Millennium Developments Goals. According to United Nations Secretary-General, women are not just the target of special measures to promote development, "they are also the driving force to overcome poverty, reduce hunger, fight illiteracy, heal the sick, prevent the spread of disease and promote stability" (UNDP, 2010, p. 3).

To situate the story of the *Jitahidi* women, first, this chapter opens with a theoretical discussion concerning the rethinking and re-evaluation of wellbeing and of the involvement of grassroots organizations. Second, the narrative explains how women through cooperative endeavors empower themselves to generate better living standards in communities in which they operate. Third, analysis of the survey data and focus group interviews conducted between 2009 and 2012 provided the support and basis for the stories of the women's business ventures and process of empowerment.

BACKGROUND AND CONTEXT OF THE CASE STUDY

The *Jitahidi* story chronicles events, motivations, and practical initiatives of a small entrepreneurial group, organized with shoe-string budgets. The aim was to establish a women's collective strength that could unleashed their lives from oppressive economic regimes, patriarchal traditions, gender inequality, gender discrimination, and socio-historical legacies (e.g., inheritance laws) that exploit women everywhere. In Tanzania, empowerment is often times perceived as if synonymous with 'self-reliance.' Locally referred to as "Kujitegemea", self-reliance was a movement of the late 1960s and early 1970s, at a time when the policy of 'Education for Self-Reliance' was at its peak (Nyerere, 1967). Nyerere emphasized:

What we do have is land in abundance and people who are willing to work hard for their own improvement. It is the use of these latter resources which will decide whether we reach our total goals or not. If we use these resources in a spirit of self-reliance as the basis for development, then we shall make progress slowly but surely. And it will then be real progress, affecting the lives of the masses, not just having spectacular show-pieces in the towns while the rest of the people of Tanzania live in their present poverty. . . . It is therefore the villages which must be made into places where people live a good life; it is in the rural areas that people must be able to find their material well-being and their satisfactions (p. 14)

This policy urged Tanzanians to reconsider the purpose of education and to rely on their own tangible and intangible resources at their disposal to bring about national development. In practice however, self-reliance fosters empowerment and is assumed to include the engagement of people of all ages in programs for economic development instead of relying on outsiders.

The background and context of *Jitahidi* women sum up a four-part agenda that provides women with incentives and abilities to run larger enterprises in higher value-added economy within the formal sec-

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tor. The *Jitahidi* venture pulled together individual efforts of some women in Northern Tanzania who realized that most of the produce (including grains) they brought to the market-stalls to sell ended up getting spoiled because of short shelf life. They then would incur heavy losses. To reduce losses in the long term, the women established a cooperative venture under the leadership of the Director of Women in Development (WID) groups in Northern Tanzania.

Insights from the 2009-2012 Survey

Table 1 gives a sense of the economic and social profile of the women who joined Jitahidi. The women came primarily from rural areas. As indicated, generally, the urban sector consists of only 26 percent of the overall population. Other demographic characteristics show low literacy rates and low incomes in terms of GDP (World Bank, 2011) and generally confirms the plight of the women in general.

Most of the women (81%) had completed seven years of schooling, 8% had completed nine years (Form 2; i.e., 2 years of secondary school) and 11% had completed twelve years (Form 4.) A majority (54%) of the women primarily used cell phones in their business communication, whereas somewhat fewer (46%) used face-to-face communication (including travel) as their primary means of business-related communication. Cell phones, while not the primary way of conducting all business communication, were, nevertheless considered important to carrying out business by a vast majority (96%) of these women agro-entrepreneur respondents. Somewhat less than half (44%) of the women's business relationships involved buying produce, 10% involved selling, bartering and lending money. Nearly half (48%) of the business relationships involved personal favors between the individuals involved.

The most common individuals among the *Jitahidi* women were wholesalers, farmers and street restaurant vendors, but respondents also mentioned public transport operators, immediate family, security guard, stall setup person, cell phone vendor person, hired house-help, tour guide, district councillor, teacher and church leader. Over 70% of the business relationships described by the women had lasted for more than one year. Nearly all of their identified business contacts were trusted (96%) and respected (100%) by the survey participants.

The survey revealed that poverty (lack of income, access to venture capital and loans) was the main reason the women felt helpless. This observation confirms the persistent poverty widely observed in developing countries that characterizes to a large extent the poverty traps into which households may fall and have difficulty escaping. For example, when asked how to estimate the excess household income for the year, the results are as indicated in Table 2. They show that only 30% estimated they may earn more than 500, 000 (US$ 500) in contrast with 11.5% of the women who actually earned that amount

Table 1. Economic and social context of Tanzania, 2008

Economic and Social Context	Value
Population (total, million)	42
Urban population (% of total)	26
GNI per capita, World Bank Atlas method (current US$)	440
GDP: Gross domestic product (million current US$)	20,745
GDP per capita (current US$)	459.9

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Table 2. Estimates of household incomes

Estimates of Incomes	Frequency	%	Frequency	Actual Income Last Year %
More than 500,000 Tz. Shillings	8	30.8	2	7..7
Between 100,000 - 500, 000 Tz. Shillings	9	34.6	7	26.9
Between 50,000 - 100,000 Tz. Shillings	5	19.2	3	11.5
Between 0 - 50,000 Tz. Shillings Not Sure	4 -	15.4 -	3 11	11.5 42.3
Total	26	100.0	26	100.0

in the previous year. The fundamental features of most poverty trap models depend on the existence of financial market imperfections that impede investment in productive assets or technology, and thus prevent households with poor initial endowments from reaching higher-level equilibriums in systems characterized by multiple equilibriums (Smith, 2005).

Goals of *Jitahidi*

The overarching goal of *Jitahidi* women was to improve the prospects of existing businesses. They aimed first to establish storage facilities for the products they sell and second, to streamline delivery of such products to minimize losses. Furthermore, their efforts were directed to a long standing financial problem that impacted the financial wellbeing of women, the majority of whom were heads of single-parent households. The *Jitahidi* leadership comprised of a five-member team of women elected from the membership. Their responsibilities consist mainly of managerial roles but sometimes they also acted as advisors and recruiters of new members. In their early deliberations, this team appraised that addressing constraints in the investment climate that burden informal and smaller enterprises would in the long term advantageously benefit women.

Additionally, the other immediate and third task was to enable more women to shift the nature of what they do—moving them from traditional small scale enterprises to large but economically viable enterprises. The *Jitahidi* group was therefore formed to implement these goals. To achieve these goals, it was essential to close the gender equality and empowerment gaps in education, employment, and political participation (Kabeer, 2005). Activities included adult education seminars, meetings, advocacy on how to access micro financing (loans and grants) and visioning. A visioning exercise was embedded in all monthly seminars to create a discursive dialogue that introduced discussions on democracy and human rights (borrowed from the WID guidelines). Because women were eager to invest in enterprises that yielded profits, this cooperative movement spread throughout the region like wild brush fires.

Women's educational activities were designed to empower young women to overcome the gender inequality that subordinates women and often puts them at increased risk of HIV infection in the country. Group goals included heightening group members' awareness of the influence of the restrictive social messages that surround women and assist them in developing efficacy and skills to combat the social and structural barriers they faced every day.

To get started, a membership drive to register a women's cooperative with local authorities was launched in 2009 with 26 members, and to-date this membership, now at 80 members strong, continues

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to grow. Incidentally, as it will be explained later, what seemed as humble beginnings grew to remarkable entrepreneurial ventures that currently defy not only economic difficulties previously experienced by the women, but also seem to overcome oppressive traditions frequently sustained by patriarchal beliefs and traditional practices that are known to exploit women. For example, women can join the Cooperative, raise pigs, and keep profits from sales freely without their husband's permission.

As a grassroots organization, *Jitahidi* was influenced by the Women in Development (WID) agenda in Tanzania (as proposed in the U. N. Millennium Development Goals). As an entrepreneurial endeavor, on the other hand, *Jitahidi* began its work by coordinating grassroots efforts of urban women who sell agricultural produce at a central market in town. Grassroots organizations like *Jitahidi* are defined as "self-organized groups of individuals pursuing common interests through volunteer-based non-profit organizations that usually have a low degree of formality but a broader purpose than issue-based self-help groups, community-based organizations or neighbourhood associations (Radu & Radisic, 2012). Women cooperatives are also well positioned to address the problem of moving perishable or shelf-stable food products quickly and cost-efficiently from rural processing facilities to urban markets.

Theoretical Underpinnings

The case of the *Jitahidi* women is not unique. In recent years, grassroots initiatives that empower women and marginalized groups to address poverty in Africa are found everywhere from literacy/numeracy to vocational training among rural women (Chucks, 2004). They are also actively pursued in adult education initiatives and the empowerment of civil society (Maruatona, 1999), and in social and political change movements (Lodge, 2013), or human rights (Gillespie & Melching, 2010). These initiatives reinforce the assumption that adult education and civil society are historically linked to the positive roles adult education plays in empowering men and women in emerging and middle income economies worldwide (Maruatona, 1999).

The first United Nations MDG goal of ending poverty and hunger illustrates the strategies adopted by *Jitahidi* women. In recent years, debates have raged around development issues particularly regarding poverty alleviation (Polak, 2008; Prahalad, 2006; Sachs, 2005). To a large extent, these debates have been fuelled by high visibility conferences that aimed to reduce poverty and consequently establish targets for poverty reduction worldwide. But at this stage, critics wonder what this rhetoric can yield to make a difference to rural populations who are often poor and in many other respects, underserved educationally (Way, 2011).

While many civil society organizations broadly support the global partnership that the U.N. Goals encapsulate, there are civil society organizations which have expressed reservations about the MDG strategies arguing that the Goals are top down', and imposed by the international community, rather than locally developed (Maruatona, 1999). There is uncertainty about the community's role in achieving the Goals. Skeptics seem to suggest that the U.N. Goals are too narrow and unambitious, especially in comparison to the U.N. Millennium Declaration, leaving out critical issues. For example, the Goal for gender equality falls short of the aims set in the Platform of Action at the U.N. Conference on Women (United Nations, 1996), to which governments around the world are committed (United Nations, 1996). In spite of such criticism, most of the NGOs that support women's empowerment have spent years dedicated to the broader objectives that the U.N. Goals represent, namely: promoting gender equality and fighting poverty, hunger, illiteracy, disease, and environmental degradation.

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The Capability Approach

The *Jitahidi* Women's goal of promoting empowerment in grassroots organizations, and the insistence of key institutional policy and political interactions is rooted in the larger conception of development and empowerment. As such, it is framed in a particular understanding of the 'capability approach'. This approach has in recent decades emerged as a novel theoretical framework about well-being, development and justice. In fact, the capability approach is one of the foundational building blocks of Amartya Sen's paradigm of 'development as freedom' (Sen, 1999).

The capability approach is a theoretical framework that entails two core normative claims: first, the claim that freedom to achieve well-being is of primary moral importance, and second, that freedom to achieve well-being is to be understood in terms of people's capabilities. This refers to people's abilities and the opportunities they have to do or manage their own affairs. The case of *Jitahidi* Women aligns with some of the theories and understanding of human development that the philosophy of '*capability approaches*' embraces. By addressing poverty, inequality and wellbeing, the capability approach influences the human development language that is visible in the Millennium Development reports and has had a great influence on policy processes around the developing world.

The capability approach has been developed in a variety of more specific normative theories, such as (partial) theories of social justice or accounts of development ethics. It has also led to a new and highly interdisciplinary literature in the social sciences resulting in new statistics and social indicators, and to a new policy paradigm which is mainly used in development studies, the so-called 'human development approach'(Stanford University, 2011).

Habermas (1972; 2005; Fultner, 2011) called this human development potential the constitutive capabilities individuals have that enable them to control the physical world, interact and relate with it, as well as gain autonomy over individual affairs. When individuals can exert such constitutive capabilities, they are said to be 'empowered.' However, over the decades, the term "empowerment" has been overused to the extent that it is reduced to a slogan that means little of substance. (Way, 2011). Interestingly, therefore, the term 'empowerment' can be disempowering, when it is understood to mean the giving of power by the powerful to the powerless. However, that is not how the term is used in this essay. Empowerment in this chapter connotes what Dugan, (2003) implied when characterizing the efforts to restore in individuals a sense of their own values and strength, and their own capacity to "handle life's problems," to make them visible, and thus giving back to them a voice in their community. The appropriate role of the person or group with power is to share, not to convey or impose. The group must make and own its decisions, so that group members can develop and experience their own power.

As explained in the Pedagogy of the Oppressed, Freire (2002) contended that the underlying tenet of this way of thinking about "empowerment" is that the "disempowered" already know a great deal about the sources of their oppression and what must be done to overcome it (p. 88). What they do not have is an organized approach to translating this knowledge into action. The appropriate educational response is therefore one that elicits participants' knowledge and responses. Freire calls this educational method "problem-posing" (p. 9).

Ensuring the necessary conditions for a transformative approach to capability enhancement also depends on providing the means to have a say in the process of policy-making and taking action to make changes (Dugan 2003). Freire's approach was aligned with "transformative" learning theory, which was developed over 20 years ago. Transformative learning involves participation in constructive discourse to

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use the experience of others to assess reasons justifying the assumptions people make, and taking action based on the resulting insights. In essence, transformative learning theory's focus is on how we learn to negotiate and act on our own purposes, values, feelings and meanings rather than on those meanings we have uncritically assimilated from others. Mezirow (2002) suggests that to be transformed is "to gain greater control over personal lives as socially responsible and clear-thinking decision makers" p. 11).

Community Organizing Through Citizen Participation

Saul Alinsky (1909-1972) was one of the 1960s radical thinkers about issues of community organizing. He believed that the key to organizing success was citizen participation, letting the people set the agenda, not setting it for them. Alinsky was famously known for his work as community organizer. He focused his attention on organizing communities against substandard living and working conditions in places including Chicago's depressed Back of the Yards neighborhood in the Woodlawn area of Chicago, USA (Williamson, 2012).

In his time, Alinsky was convinced that poor people have no voice because they have no organization, but argued very strongly that sometimes development agents or community organizers in fact serve to disorganize communities under the guise of organizing them. However, Alinsky believed that an organization gives people a way of expressing their group needs in a manner that cannot be ignored. His goal was nothing short of unleashing the power of the people to "create mass organizations to seize power and give it to the people. This way people can realize the democratic dream of equality, justice, peace, cooperation, equal and full opportunities for education, full and useful employment, health, and the creation of those circumstances in which men have the chance to live by the values that give meaning to life" (Sugrue, 2012). For these reasons, small groups are formally organized first, for example on a block-by-block or small neighborhood-by-small-neighborhood basis. Once the small groups have met and worked successfully together on some issues, next, they are brought together into a larger community-wide organization. The larger group thus has the infrastructure as well as experience to bring transformative change (Alinsky, 1989).

As a grassroots organization, *Jitahidi* Women followed this step-by-step approach even though they never heard of Alinsky before. Nevertheless, they faced challenges as soon as they took decision to establish an empowerment group, some of which problems were political as well as financial. The women had to deal with complex interactions as they relate to state regulations for establishing Cooperatives, local government bureaucracy, and donors—interactions which tend to constrain social action given the broad systems of political and social power relations. In this instance, *Jitahidi* was no exception as the members struggled through the early stages of establishing the cooperative with attempts to find start-up funds, plan new ventures, and on occasions, contend with failure of pledges made for grants but not honored.

In sum, when taken together, Sen's (1999) capability approach and development as freedom paradigm, Alinsky's notions of citizen participation, Habermas (2005) constitutive capabilities, Freire's (2002) conscientization and problem-posing approach, and Nyerere's education for self-reliance, we can affirm that "empowerment" is not about what actors do but rather how they think and translate what they know into action." The appropriate response to empowerment is therefore one that calls for participant's knowledge and responses in having a say in policy-making and taking action to make changes. I suppose the *Jitahidi* story reveals that once the women understood their situation in poverty they sprang into action to organize and to act. For the *Jitahidi* women, the grassroots initiatives developed in the past

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several years represent a rare story of empowerment situated in their cooperative efforts and perhaps what seems to be a breakthrough to the hurdles that in the past conspired to trap rural women in poverty, disease and ignorance for decades.

The Case of *Jitahidi* Women Entrepreneurs and How They Addressed Poverty

To develop the capability and to strengthen the potential and empowerment of *Jitahidi* women, an important addition to the structure and conduct of business among the Women was implemented, namely, the development of a safe, cohesive and empowering group climate which helped to promote the goals of the group. This structure however was not automatic but rather a conscious trial and error effort to encourage the members to talk, to tell their story of how to combat the many faces of poverty. This approach was introduced by the Director of Women in Development in the region. She insisted on allowing every individual to express oneself freely.

This practice set the tone of how the cooperative and its leaders must operate. In this case study, the *Jitahidi* example provides an instance of social change that embraces the capability approach to augment years of gender inequality and poverty. Consequently, the *Jitahidi* Cooperative took the capability approach seriously. Members felt that the cooperative movement gave women the opportunity to improve their conditions within a safe and supportive atmosphere. One of the basic principles of operation that was established early was the freedom to speak one's mind and to have one's ideas heard and valued. These creative ways to emphasize communication allowed the women to begin with ease the process of transformative empowerment. The aim was to recognize Tanzanian women as active custodians of Indigenous knowledge and active contributors to the economy and wellbeing of the family" (Jagire, 2014, p. 169).

Historically, women in Tanzania have been disempowered, disenfranchised and denied basic education. In addition, historical social structures have posed formidable barriers. For example, gender differences in legal status and capacity, particularly for married women, affect women's access to and control of assets and resources required for entrepreneurship. Education and business experience are important drivers of economic choice, opportunity and performance. Lack of access to finance was a formidable obstacle to business development. Women's limited opportunities for networking and exclusion from decision-making bodies and from policy dialogue, especially in the business environment, meant that business climate reforms rarely tackled issues for women entrepreneurs (Hallward-Driemeier, 2011, p. 8).

In Tanzania as well as some African countries, women continue to be excluded from schools and from higher education. Actually, not so long ago in some communities in Tanzania, women were denied schooling until recent years (Jagire, 2014). For example, a number of economic, social and cultural influences have contributed to the curtailment of women's capability and potential; and thus disempowering girls and women. As it seems to be the case in Tanzania, as well as other African countries with strong oral traditions, disempowering influences include many things.

Examples of disempowering practices abound, like separation of the sexes to privilege boys and men over girls and women, the perpetuation of cultural ideologies that promote or glorify traditional stories of gender inequality, myths about who can own land and receive inheritance wealth. In the public media, one finds songs that focus on women's beauty or other physical attributes but not their human rights or intelligence; and a proliferation of media stories or skits that have served to ensure male dominance in the home, office, and sexual relationships. These unequal exploitive gender practices remain unexplored

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and their contextual influences or impacts on the lives of girls and women are virtually unknown or simply covertly brushed aside (Hallward-Driemeier, 2011).

The indoctrination of girls into traditionally defined gender roles, particularly girls who are unable to pursue higher education, is both strong and persuasive, leaving young women with little awareness of the extent to which these external pressures, expectations, and restrictions limit their capability for self-reliance, career choices, social behaviors or overall women's horizons. Because these gender expectations and practices are widespread in Tanzania as well as in other parts of Africa, the *Jitahidi* Women's Cooperative intuitively realized that at the epicenter of these negative expectations and exploitation of women is poverty and economic dependency and a lack of basic education sufficient to confront oppressive encounters. Therefore, the capability approach was critical and central to the sustainability of *Jitahidi* women as an empowered collective.

Women's Business Ventures

The small steps the cooperative took and commitment made grew to several enterprises that included raising pigs, chickens, and new ventures to grow mushrooms, spinach, cabbage, tomatoes, carrots, and other household vegetables. The markets in the town of Moshi and environs saw a surge of improved supply of vegetables and fruits, some of which had not been brought to the market before. Importation of spinach, apples, eggplants, lentils and fruits from South Africa has in recent months fizzled, and most of the products found in the market are grown locally (See Figure 1).

Figure 1. Some Jitahidi women selling fruits and vegetables



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Other women invested in the purchase of storage tanks with large capacity to store two tons or more of maize between the growing seasons (See Figure 2). As a result, they can sell maize in the off-season period with large profit margins. To date, they own two of such storage tanks. Reports indicate that last year the women were contracted to supply the United Nations High Commissioner for Refugees (UNHCR, 2011) with maize that was exported out of the country, thus fetching them the much needed revenues (Loewenberg, 2011).

Even though the *Jitahidi* women are modest when it comes to discussing their successes, a quick appraisal of their progress shows immense improvement. A recent reports submitted to one of the funding agencies of *Jitahidi* explained by the Director showed that the progress they made matches results from similar cooperatives in Northern Tanzania where monthly cash earnings doubled from 50,000Tanzania Shillings (Tsh.) to over 150,000 ($50 to $150 U.S. Dollars). In fact cash savings tripled, and short-term expenditures and durable assets increased 30 to 50% relative to where they were at the beginning of the cooperative in 2008. In spite of these gains, there was no immediate effect on women's independence, status in the community, or freedom from intimate partner violence. This reality was explained by the women saying: "Attitudes take a long time to change."

However, issues of domestic violence, teen-age marriages, and female circumcision are topics frequently broached and spoken out openly by *Jitahidi* women at public meetings. As a result, today teen-marriages have been listed as a nation's tragedy and discussions on concerns on underage marriage is regularly featured in the daily press (Makoye, 2013). However, we see little evidence that more inclusive role for males in the household leads to better empowerment or economic success, although promising improvement in partner support and relationships were observed and acknowledged by the women.

Figure 2. Example of a maize storage tank



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The fundamental role of grassroots organizations, like *Jitahidi*, lies in mutually reinforcing personal and collective capabilities. However, the opportunity to live a good life depends extensively on the social determinants of the relevant capabilities. It is in this context that policy and programming at the national and supra-national levels, along with the work done by civil society organizations (CSOs) at the local level can influence the social alternatives women have, and more broadly their quality of life and wellbeing.

The *Jitahidi* Cooperative organized regular meetings to utilize group dynamics approaches to social justice and empowerment with the purpose to raise women's awareness of social and cultural issues and contexts in which they live, and how these contexts influence or persist to impact their plight in poverty and diseases, HIV/AIDs in particular. The first step towards achieving the goals of the group was the development of an "empowering group climate" which included free expression and exchange of opinions and ideas, a strong sense of cohesion and support, and a collaborative, non-authoritarian relationship between group leaders and group members. These principles were brought to bear during seminars conducted by Women-in-Development (WID) Office. The WID seminars and regular visits to members' projects by Jitahidi leadership were not only additive to the function of the cooperative but also transformational. Transformation was explored through identifying interconnected practices: visioning, reframing, human rights in local discursive practices in problem-based contexts, and creating critical capacity and consciousness through connecting participants to a larger discourse on human rights in Tanzania and beyond.

The reasoning behind interconnected practices is quite simple: When household income is generated and managed by women, it is likely to be used for children's school fees, uniforms, books and school supplies as well as for medical care, better quality food for the family and improvements to the home environment. This quality of life improvements results in fewer children's missed days of school and more years of schooling for children (Commission, 2005). The good outcome of having a sustainable livelihood becomes to discourage early marriage and the resultant pregnancies that frequently result in poor maternal outcomes for young girls. As confirmed by many researchers, the education of girls is the best strategy for reducing infant and child mortality, a critical issue in most developing countries (Bloch & Beoku-Betts, 1998).

Even though these women entrepreneurs were not representative of the population of Tanzania, they represent a possibility for a "capability" and empowerment model for women in other parts of East Africa. Examination of their practices was important to define the possibilities for other women in developing nations seeking poverty reduction, or working to increase literacy rates, and desiring to master and apply post literacy skills for social change. Thus, this case of *Jitahidi* women entrepreneurs provides a micro-analysis of financial market imperfections and it is just one episode from a larger social science networks study that is on-going in Northern Tanzania since June 2008 (Semali, 2011). Empowerment was being realized by individuals as they regained their voice in the community and engaged other women in the business they conducted every day at the markets.

CONCLUSION

The main objective of this case study was to investigate the story of *Jitahidi* women in Tanzania to understand the dynamics of *empowerment* at the grassroots level. The story took note of the theoretical assumptions that inform the women's entrepreneurial enterprise that was deliberately undertaken by WID

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Tanzania with the *Jitahidi* leadership to overcome poverty among individuals, particularly women with little or no basic education. The rationale was that the ability of women in Africa to sustain livelihoods of their households will occur largely through small, agriculture-related enterprises in which the optimal use of recent technological developments of mobile phones and social networks may result in increased income and quality of life for women (Semali & Asino, 2013).

Insights from this case provided introspection to what is going on in women's development and their business relationships. The use of cell-phones was quite prevalent and the researchers suspected that perhaps it would not be possible to establish *Jitahidi* without the facility and easiness of access to mobile phone communication. It seems that these women have learned innovative ways of using ICTs to advantage their businesses as well as strengthening their networks. As new applications begin to rapidly emerge on the market, cell-phone communication is perhaps taken for granted, since the women swap telephone numbers frequently.

Likewise the emphasis of transformative practices aimed to strengthen visioning, and reframing human rights in local communities as well as problem-based contexts, increased the critical capacity and consciousness of the *Jitahidi* women judged by what they have been to accomplish. Practices were aimed to assist new members during monthly seminars to name barriers created by restrictive gender relations in the home and in social and civic engagements. The step by step approach helped the women to identify barriers that impact adolescent young women in general and *Jitahidi* members as individuals. In addition, the practices encouraged women to envision how the cooperative can mitigate against women's exploitation.

The case of the Jitahidi women informs the design of subsequent projects intended to assist women escape the poverty trap in rural villages of Tanzania and beyond. The initial idea underlying this case, that brought us in contact with the *Jitahidi* women, was to gather information about the business climate among women who live in rural areas and to use that information to organize these women to form a cooperative. The questions that pave the way forward to future investigations are: What can policymakers and educators do to facilitate and improve the use of mobile phones as a tool for advocacy or to enhance women's knowledge? What can be done to address the challenges and the ways to facilitate "full" empowerment? What is the nexus between having access to communication and personal or collective empowerment? These issues call for research studies that expose further the potential of empowerment. There is every chance that the dialogical way of thinking introduced by WID can create space for all women and empower Tanzanians to define their own educational needs and create political organizations within the local community. And more importantly, women can become stronger partners in development as Tanzanians implement the MDGs.

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KEY TERMS AND DEFINITIONS

Capability Approach: A novel way of thinking about well-being, development and justice that gives abilities and the opportunities to people to do or manage their own affairs.

Community Organizing: To let grassroots people set the agenda and destiny of their affairs, not setting it for them.

Empowerment: The ability to make choices in one's life and to overcome equality and address resource gaps in education, employment, and political participation.

Poverty Trap: A situated cycle of limited access to resources that impedes investment in productive assets or technology, and thus prevents households with poor backgrounds or initial meagre endowments from reaching higher-levels of sufficiency to make a comfortable living.

Self-Reliance: A mindset to engage people of all ages in programs for economic development instead of relying on outsiders and to be willing to work hard for their own improvement.

Social Change: A process that aims to transform individuals and embraces the capability approach to augment years of gender discrimination, socio-economic inequalities, disempowerment, and poverty.

Transformative Learning: The effort to gain greater control over personal lives as socially responsible and decision makers and learning to negotiate and act on our own purposes, values, feelings and meanings rather than on those meanings we have uncritically assimilated from others.

Women Entrepreneurs: A group of social agents who engage other women in the business they conducted every day at the markets and through their practices endeavor to define the possibilities for other women in developing nations seeking poverty reduction, or working to increase literacy rates, and desiring to master and apply post-literacy skills for social change.

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Chapter 71
Reflections From Inside the World of Empowered Women:
The Case of Thota-ea-Moli, Ha Luka Multi-Purpose Cooperative, in Lesotho

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ABSTRACT

Poverty is one of the most critical problems facing developing regions. In Lesotho, poverty is more deeply entrenched in the rural areas and closely linked to severe degradation of land on which rural livelihoods depend. Landlessness affects Basotho women more adversely than men who have better employment opportunities as mine labour migrants in South Africa. This chapter therefore, presents the case of Thota-ea-Moli Multi-Purpose Cooperative as a response to further threats of poverty to a community that lost its land to a government project. The chapter maps the historical trends of Basotho women's empowerment and their pivotal role in development and poverty alleviation through cooperatives. Having outlined the project design and implementation processes, its achievements and challenges are highlighted and their impact on Thota-ea-Moli women's economic and socio cultural empowerment. Future trends that hold promise for women's further empowerment are also presented.

BACKGROUND HISTORY OF THE ORGANISATION: THOTA-EA- MOLI (HA LUKA MULTI-PURPOSE COOPERATIVE)

Presented in this chapter is a case of women of Thota ea- Moli in Lesotho. The place, Thota-ea-Moli is a former seat of the traditional Basotho parliament) and now hosts, Moshoeshoe I International Airport which is about 25 kilometres away from the Capital town of Lesotho, Maseru. In geographic historical terms, Thota-ea-Moli is no ordinary village in Lesotho as its background as provided below shows. Thota-ea-Moli is a peri-urban community in Lesotho which is of historic significance for Lesotho. Thota-ea-Moli, or Ha Luka, meaning the place of chief Luka, as communities are commonly called in

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Lesotho, is a small community of about three hundred (300) households, the average household size being about six people. It is about twenty (20) kilometres away from Maseru, the Capital city of Lesotho.

Thota-ea-Moli is closely associated with the growth of a popular consciousness and national identity for Basotho which was a response to the threat of incorporation into South Africa during the first sixty years of the twentieth century. The primary source of identity and tradition for Basotho is their founder Moshoeshoe 1 during the (1800s, (1786-1870 to be exact. This identity emerged as the basis of resistance to incorporation throughout the period of which Moshoeshoe offered protection (around the mid (900s to people fleeing the ravages of the famous Lifiqane wars. He assimilated these refugees into one group and sought for them protection from Britain against the Boers and Basotholand as their territory became known, was declared a protectorate of Britain in 1868. Thota-ea-Moli, the place, is one of the two perhaps most cited symbols of National consciousness. The other symbol aside from Moshoeshoe, himself, is Thaba-Bosiu, the mountain fortress of Moshoeshoe the founder of Basotho during the Boer and Zulu wars.

Lesotho is a small Kingdom in Southern Africa with a land area of around 30,355 square kilometres and an estimated population of 2.2 million. The country is one of the few left kingdoms of Africa which is geographically wholly surrounded by the Republic of South Africa. Lesotho is, often aptly described as the land of many contrasts, vivid history with scenic natural attractions which are complemented by its rich culture, and fascinating heritage. Lesotho is the only country in the world where the entire territory is more than 1,000 metres above sea level and much of the population lives in rugged, mountainous terrain, accessible only on foot or horseback. Lesotho's total land area is 30,355 square kilometres and only a little over 10% of that land is arable. In 1868, Lesotho became a British colony through annexation in 1868. With regard to power for Basotho, Eldredge (1985) describes the self- conscious initiatives of Basotho through resistance to British and Boer invasions as they struggled to determine their own affairs at all levels of society (p.24). Eldredge argues that, contrary to the assumptions about hegemonic colonial rule disabling and disempowering the colonised people for Basotho there are transcripts even from oral traditions which reflect Basotho's history of rejection not only of political colonisation but also colonisation of their consciousness, culture and their daily lives (p.27). Eldredge further notes that women in Lesotho were affected in many and varied ways by the socio-economic and political changes that came with colonial rule.

The terrain of Lesotho is usually just described as picturesque as the above snapshot of exactly what that means shows. It is mostly highland with plateaus, hills, and mountains. Hence the fond reference to Lesotho, as the Mountain Kingdom, the Kingdom in the Sky or the Roof of Africa. The highest point in Lesotho is Thabana Ntlenyana (3,482 m). This is also the highest peak in southern Africa while the lowest point is 1,400 m at the junction of the Orange and Makhaleng Rivers. It is this terrain and the described elevations which also have a bearing on the climate of Lesotho which is known to be temperate with cool to cold, dry winters with frequent spells of snow and; hot, wet summers. Lesotho winters are generally long (April-September, dry and cold with, warm to moderate temperatures during the day, and sudden cold temperatures just after sunset. The lowlands often receive cold rainfalls while heavy snowfalls are usually experienced in the highlands.

During winter the snow covered Traditional huts are a common sight in the mountain areas of Lesotho. These climatic conditions have direct implications for agriculture, the major employment sector in Lesotho, (which accounts for about 10 percent of the country's gross domestic product (GDP) (Lesotho, Bureau of Statistics 2007b). Many Basotho (Lesotho's majority ethnic group) pursue rain fed agriculture and are thus highly vulnerable to climate change and variability (Turner et al. 2001; LVAC 2008 cited

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in Gwimbi, Thomas, Hachigonta, & Majele-Sibanda, 2013.) It is also reported that the contribution of agriculture to GDP has been declining steadily, from more than 50 percent in the 1960s to 25 percent in 1980 and then to 17 percent by 2005. Currently it is less than 10 percent (Owusu-Ampomah, Naysmith, & Rubincam 2009 cited in Gwimbi, Thomas, Hachigonta & Majele-Sibanda, 2013). This is outlined here as it would have direct implications for the Women of Thota-ea-Moli's mainly agricultural activities of their project

The Economy of Lesotho

In the world economy, Lesotho falls within the category of least developed countries (LDCs), and more than half of its population lives on less than $1 a day. This small southern African state has one of the highest HIV infection rates in the world. This situation and others can be regarded as both a cause and an effect for Lesotho's high level of poverty. The bulk of Lesotho's population lives on subsistence farming, producing barley, maize, pulses, sorghum and wheat and limited livestock farming. Disheartening however is the report that while Agriculture, is the backbone of the rural economy and the sector that employs most of the poor, this sector has been stagnant since the early 1990s due to unpredictable climatic conditions, including erratic rains and persistent droughts. This has resulted in the contribution of agriculture to gross domestic product (GDP) declining and it is said to have shrunk from 20 percent in 1983 to nearly 14 percent by 1999 and to 7 percent in 2011. The poor performance of the agriculture sector has compounded the country's already tenuous food security situation (African Development Bank Group Kingdom of Lesotho Country Strategy Paper 2013-2017).

Lesotho's economy is also described as a truly enclave economy that for many years has depended on the remittances from people working in the mines in South Africa. These remittances were an important source of revenue for the economy of Lesotho. However, this too has seen a dramatic decline from 127,000 Basotho men working in the South African mines 'the best choice for a livelihood a Mosotho could make but the worst for a human being' (Sechaba Consultants, 2000 p.30), to 56,000 in 1990. This had a major and devastating effect not only on the employment of Basotho men but also on the economy that thrived on remittances the miners used to send back to their families. According to the 2014 Index the following are Lesotho's economic facts: The GDP (PPP) stands at $4.1 billion and economic growth rate is 4.0% and the per Capita income is $2,138. The overall rate of unemployment is 25.0% and the Inflation (CPI) is 5.3%. http://www.heritage.org/index/country/lesotho. Of the many factors to which Lesotho's evidently weak economy is often attributed to chiefly, are the considerable challenges with regard to political instability which significantly contributes to weak in institutional frameworks (political, economic and maybe even social) which see the country grappling with high levels of corruption and limited protection of property rights, and marginal reforms in the effort to achieve sustained economic growth and development.

Lesotho's Natural Resources

While Lesotho is reported to be not so well endowed in natural resources, it has the following water, agricultural and grazing land, diamonds, sand, clay, which are used for both sustenance of livelihoods and for commercial purposes. Of these, diamonds and water are the most mentioned and for purposes of this case water resources (because this provides for the country most of the financial and other benefits and also for its close association with agricultural activities) will be elaborated on. Lesotho's most important

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natural resource is water. Lesotho Highlands Water Project, supplies water to South Africa. Known as Lesotho's "white gold", water generates much needed revenue for Lesotho. Through this project, Lesotho sells water to South Africa and it aims to be self-sufficient for its electricity needs through hydro-electric schemes which are part of the outcomes of this project

The Lesotho Highlands Water Project is one of the pinnacles of Lesotho's development and the first deliverable of the Multi- million dollar Lesotho Highlands water project (1986- to date).

Lesotho Highlands Water Project raises millions of dollars each year mainly through the sale of water to its only neighbour, South Africa. The Lesotho Highlands Water Project was instituted as a bi-national project spanning the borders of South Africa and Lesotho in accordance with a treaty signed in 1986. This almost miraculous engineering feat diverts water from the Senqu River System in Lesotho to South Africa's economic hub, the water-stressed Gauteng region. The Lesotho Highlands Water Project is a multipurpose undertaking that transfers 780 000 million litres of water and generates 72 megawatt (MW) hydropower at the Muela Power Station. The water en route to South Africa is put to good use, powering an underground hydroelectric power station that generates electricity to meet the needs of Lesotho. Royalties paid to Lesotho for water transferred amounts to R438 million for the period covered in this report, bringing the total royalties paid to date to R3 430 million http://www.tcta.co.za.The Lesotho Highlands Water Project (LHWP) is the second largest water transfer and hydroelectric project in Africa today, the largest being the Chinese built Meroe Dam on the fourth cataract of the Nile in Sudan. Costing an estimated US$3 billion for the first two phases (1A-The Katse Dam, and 1B-the Mohale Dam), the project provides water from the Senqu River Basin in Lesotho, which is part of the much larger Gariep (Orange) River Basin, for the Gauteng region of South Africa (formerly Johannesburg and the Witwatersrand), and electricity for Maseru, the capital of Lesotho.

Poverty in Lesotho: A Focus on the Rural Areas

Today, poverty is one of the most critical problems facing many parts of the world, especially the developing regions. For most of these regions poverty is endemic in the rural areas with devastating consequences for the rural dwellers. In Lesotho, like in many countries of the developing world, Poverty is countrywide, with 62 percent of the population living on less than $2 per day (Wood et al. 2010 cited in Gwimbi, Thomas, Hachigonta, & Majele-Sibanda, 2013) Poverty in Lesotho, is deeply entrenched in the rural areas, where about 70 per cent of the people live. In fact, it is reported that more than half of the rural people in Lesotho are poor, while more than one quarter of the poor are classified as extremely poor. As demand for migrant labour into the South African mines declined and unemployed migrant workers returned to Lesotho, remittances shrank from about 60 per cent of gross domestic product (GDP) in the 1980s to about 20 per cent in 2005. This significantly dramatic drop in remittances from migrant labourers threw many rural households deeper into poverty and had the country experience an influx of those in search of wage employment from rural to urban and peri-urban areas within the country. These, especially younger women, have been able to find employment in the country's new industries, mainly the textile industry. However, the limited employment job opportunities cannot keep up with the demand for wage employment (BOS, 2006).

Poverty in Lesotho is closely linked to lack of income and unemployment, as well as to severe degradation of the natural resource base on which the livelihoods of many of the rural poor depend to a varying extent. Gross national income per capita in Lesotho is relatively low and there is a high level of inequality in income distribution. Poverty in rural Lesotho is attributed to a great extent, to increased

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landlessness; poor production technologies; rampant stock theft; poor animal health, husbandry and nutrition; ineffective agricultural extension and research support services; and culturally embedded land-tenure practices that continue to inhibit sustainable natural resource use and management. The lack of investment in agriculture, the decline in agricultural production, the lack of income-generating activities and degradation of natural resources are among the principal causes of rural poverty in Lesotho. It is on record that about 30 per cent of rural people live in extreme poverty and these are mainly farmers who have less than 0.5 ha of land and also people who are landless and households which are headed by women. People who live in the rugged mountain areas are significantly poorer than others in the country (Lesotho, Bureau of Statistics (BOS), UNDP (United Nations Development Programme), 2007 and National Human Development Report, 2006**).**

Literature abounds with strategies that countries have used to alleviate poverty. In the case of Lesotho, Lesotho's National Strategic Development Plan (NSDP) 2012/13-2016/17 serves as an implementation strategy for the National Vision 2020. The NSDP serves as the Poverty Reduction Strategy Paper (PRSP) and is the second PRSP that the Government of Lesotho has produced (IDA & IMF, 2012). On the whole, the NSDP presents a coherent analysis and offers an appropriate path forward to sustained poverty reduction and sustainable economic growth (p.1). It is recognised that in order to achieve any level of reduction or alleviation of poverty, sustained and broad-based economic growth is a necessary and effective route to take. The key focus areas for Lesotho as this route is being followed have been identified as employment creation; infrastructure development; human capacity and skills development, technology adoption, and foundations for innovation; improved health especially to combat HIV and AIDS, reductions in (social)vulnerability; reversal of environmental degradation and adaptation to climate change; as well as to promote peace and democratic governance, through strengthened and effective institutions (IDA & IMF, 2012). The question of who participates in these processes aside from governments, points to women as key players in this regard. The case of Thota-Multi-Purpose Cooperative as here presented serves to demonstrate that role and to analyse the benefits of that within a women's empowerment perspective.

HISTORICAL TRENDS OF WOMEN'S EMPOWERMENT IN LESOTHO

Within the patriarchal society of Lesotho, women constitute a significant proportion of the population at 52 percent to 48percent of males (Bureau of Statistics, 2006). However, Basotho are a patriarchal society hence the recognised and accepted male dominance of ownership and control over resources and power which in turn operates and maintains a system of gender discrimination (Letuka, Matashane & Morolong, 1997). In spite of this as mentioned earlier, Basotho women have always been powerful in rural development projects. At 58%, Lesotho has the highest number of women in local government in the SADC region and this is viewed as an achievement and a starting point of women's empowerment in Lesotho (Genderlinks, 2010). Women in Lesotho also have a high status in society and a voice in local and national government. Aside from women being more present in the rural settings of this predominantly subsistence economy, Lesotho has one of the highest women's literacy rates in Africa. Girls in Lesotho have benefited from investments in education more than boys, who are often kept out of school to work as herders. With a solid education behind them, many women in Lesotho have achieved positions of influence in households and in the formal institutions. The gender in educational trend for Lesotho has for a long time been that when males went directly from herding to working in the mines,

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there was little incentive for them to attend school. This resulted in a significant gender difference in favour of females. The gender gap in education began to narrow when the government introduced free primary education in 2000 and school enrolment rose dramatically with a positive effect even for boys. As of 2009 this is what UNESCO reported for Lesotho:

This report acclaims this positive scenario from a gender equality perspective and notes that it permeates all levels of education, with statistics showing that a higher number of girls than boys are enrolled in school, a scenario that is different from most of the other Sub-Saharan countries. However, the report quickly points to the fact that the total enrolment for girls is still very low and the enrolment of girls decreases significantly as the grades increase, indicating a very high incidence of drop-outs and a larger number of out-of-school girls. It is also noted in the same report that, although Lesotho's education system has achieved progress in raising literacy levels, major issues in terms of drop-out, student flow, quality, and equity2 remain to be addressed. More than half of all households in Lesotho are headed by women. While education has benefited many women, there are large numbers of poor women, particularly in rural areas, who remain disadvantaged. Households headed by single mothers or women who are divorced, widowed or abandoned by their husbands are among the households with the highest incidence of poverty. Women who are heads of poor households are likely to have lost the assets they once possessed and are less likely to own agricultural assets such as livestock. They have difficulty securing the cash they need to feed and provide for their families. But households headed by women whose spouses have migrated in search of wage employment and stay away from home for considerable amounts of time, tend to be better off.

Lesotho Women's Role in Development and Poverty Alleviation

Women play a leading role in poverty alleviation through community initiatives and their activities in agriculture. This is especially so in Lesotho where men are migrant labourers in South Africa. In many instances, women are heads of households, yet they are discriminated against on access to land resources in their own right. In Lesotho, the role of women in poverty alleviation is especially realized through ventures of a similar nature as the case of Thota-ea Moli and this role has not been adequately mapped yet. Broadly speaking and on a comparative scale, perhaps Basotho women are the most present in development activity than it is the case with women in many countries of Southern Africa. Migration mainly to South Africa to seek employment is a fact of life in these countries and Lesotho is no exception. This is evidenced through the fact that nearly one in five male heads of households are at a given instance not present in the household but working/living away. This is not the case for female household heads where the vast majority are present in the household. And in the rural setting especially, women are less likely to be earning an income than men. Many studies of poverty in Lesotho have significantly made correlations between household headship, gender and levels of poverty. For example, a longitudinal study conducted by Wason & Hall (2002), noted that in terms of sex of head of the house Lesotho has three categories of headship. Male de jure head, female de jure head and female de facto where the man is a migrant worker).This study further found that being chronically poor is positively correlated with households who have de jure female heads. For example, 31% of the chronically poor households in 1993 had de jure female heads compared to 12% of the never poor. The never poor had a high proportion of de facto female heads. On the other hand 54% of the never poor households had male de jure heads in the mines which shows the critical importance of migrant working especially in the mining sector of South Africa as an anti-poverty strategy for the Basotho (p.28).

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Women play a key role in household maintenance throughout the developing world. They collect water and fuel, and along with children are involved in agricultural production. In Lesotho, this role and the associated burden imposed on women are particularly acute given the large number of female headed households (27.6%) and the difficulties posed by a seriously degraded environment. Women undertake a substantial proportion of agricultural activities and are extensively involved in the informal business sector. This importance is not matched by control over most disadvantaged in terms of access to land having user rights only through their husbands although many women have found strategies to cope with this, such as share cropping or (illegal) leasing (http://www.fao.org/docrep/). It is against this background that the case below is being presented.

Thota-ea-Moli, Ha Luka Multi-Purpose as a Women's Empowerment Project

Empowerment projects take different forms. In the case of Thota-ea-Moli, the women embarked on a Cooperative project. According to the United Nations, a cooperative is an autonomous association of people united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity (UN, 2011, p.1). It is further noted that although the reliable figures Cooperatives tend to be scanty from context to context, cooperatives appear to operate on a significant scale in developing countries with studies showing that over seven per cent of the African population are affiliated to primary cooperatives, and this number is increasing (Delvetere, 2008; Pollet, Delvetere & Wanyama, 2008 cited in GRSD, 2011, p.1). Cooperatives are also said to have wide-reaching, direct and indirect impacts on socio-economic development (UN, 2009). I would not be farfetched to suggest that the fundamental premise on which this idea of addressing the issues that Thota-ea-Moli aimed to address cooperatively was socio- cultural. This is in spite of the fact that the cooperative movement as we know it today had already taken root by the time the community of Luka came together to form this venture. The socio cultural basis of cooperation in Lesotho like in many other parts of the world is historic. It is on record that cooperative efforts have occurred throughout history. Since the time when early man cooperated with others to kill large animals for survival, people have been cooperating to achieve objectives that they could not reach if they acted individually. In Africa like in other cultures language and proverbial expressions have been used to highlight and promote the spirit of cooperation and unity in order to achieve better results when families, communities and societies are confronted with challenges such as the challenge of to achieve development.

The cooperative case presented in this chapter is to be understood against the backdrop of the Cooperative movement in Lesotho which has a history that dates back to the late 1940s. Speaking at the official opening of an annual five-day students and youth cooperatives forum in July 2008, the Assistant Minister of Trade and Industry, Cooperatives and Marketing, Mr. Khotso Matla said that the cooperative movement in Lesotho has a long history of more than 50 years starting from the formation of the marketing cooperatives in 1948. He added that since then a number of primary societies were established around the country, which later affiliated to form the first Cooperative Bank, Basutoland Cooperative Banking Union (BCBU). Speaking at the same occasion The Chief Executive of United Kingdom Cooperatives College, Mr. Wilson Mervyn commended Lesotho for being a leader through its involvement in cooperatives, expressing his confidence that other countries will follow the Lesotho's example. He further said that all cooperatives struggle to become sustainable, but Lesotho has pulled through, and as a result has many cooperatives that are still operational. Thota-ea-Moli is one of those surviving cooperatives.

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This is a case of a registered Multipurpose cooperative venture which was conceived in the early 1980s and has existed since then, to date 1983-2014 covering the areas of agriculture, (crops vegetable gardening, poultry, Piggery, for income Generation, household food security and improved livelihoods through sewing and knitting, early childhood education, household sanitation and employment creation. At inception, the envisaged economic empowerment was to be gained from an anticipated close to regular income from the sale of products from activities in the above mentioned areas. The decision to have a strong multipurpose orientation was based on the recognition very early in the initiative that diversity among community members (with regard to needs aside from the key issue of loss of agricultural land) and which was fully perceived and articulated by the community itself was going to be a real issue.

Ha Luka households (almost the whole community lost their farming land to a government development project- to site the International Airport (Moshoeshoe 1 International Airport. For the Basotho, like it would be for many agrarian societies of the world, loss of land is loss of a means of livelihood that can never be fully replaced as. In these societies, land is the primary productive asset (Mosaase, 2011) land tenure plays a fundamental role in economic and political power. As per one of the development policies, the Lesotho land Compensation and Resettlement Policy of 1980, if a site is identified by Government for National development purposes, and that land is fully or partially occupied by an individual, groups or even an entire community, the government reserves the right to effect existing compensatory mechanisms. The communities of Thota-ea-Moli had a good idea of the above mentioned policy, and they decided to act together to address their future plight by forming the cooperative. Unlike other development initiatives in the country, this was an initiative founded on a need for confrontation with Government.

PROJECT DESCRIPTION

Almost all the households in the community had lost their farming land to a government development project to build the Moshoeshoe I, an International Airport. According to a government policy if land is earmarked for national development purposes, the only solution to that loss is compensation in monetary terms. For The Basotho, like it would be for many agrarian societies of the world, loss of land is loss of a means for livelihood that can never be fully replaced. The community of Thota-ea-Moli had a good idea of the above mentioned policy, and they decided to act together to address their future plight by forming the cooperative. Unlike other development initiatives in the country, this was an initiative founded on a need for confrontation with Government mainly by women of this village.

The project drew its membership from several villages which were affected by the development. Initially there were about eighty members out of which, seventy eight were women and two men. One of the men was the principal of the primary school in the village and the other was a prominent member of the community who was known to have led many other development activities in the community. The main purpose of the project was employment creation in order to address the ensuing state of socio economic deprivation as a result of loss of farming and grazing land to the airport project. From the activities as described the community members of the project anticipated a close to regular income from the sale of project products such as vegetables, eggs, chicken and farm produce such as milk and pork etc. The benefits were to be gained by almost all households in the community, for the project members these would be direct benefits while for the rest of the community the benefits would be indirect in the form of goods and services. This case presents a rare community programme which brought together,

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all members of the community to solve a common but fundamental problem. Therefore, because of its nature, engagement with the project by all the stakeholders, almost always dictated involvement of all of the community members, thereby making it a very complex development venture.

Project Design

This was a registered multipurpose cooperative which was initiated by a group of women who in their words, "once the fields were taken over, they (as women) felt very stranded". They asked themselves what they would be doing if they are not working in the fields like other women and cannot go to work in the mines like men. They also asked themselves what they will feed their children from. They said they had to ask themselves these questions because in Sesotho, "when things get really bad, especially where children are adversely affected, it is the mother who is expected to take action and provide protection". The appropriate Sesotho saying is, *mangoana u tsoara thipa ka bohaleng* (portraying mothers as protectors even in times of difficulties or to a point of risking their own lives to save their children). They said they started knocking on many doors looking for advice and assistance. On one afternoon one of them had a friend visiting from town who also happened to be working for the university and they talked about her problem. The visitor gave her friend good ideas who immediately called several of them to come and share those ideas with. They followed up at the ministry of Agriculture where they negotiated to be included in the Government extension routine community training on Nutrition which is a typically women focused area. In the meantime they said since they knew that what they needed was much more than cooking lessons, they started to sell home brewed beer to men at the construction site of the airport. The money from those sales was to be part of the capital which they knew they needed in order to start a business venture that would create employment to help them sustain their families. The solution sought therefore, was to be long term as the community and the stakeholders agreed that trying to address a problem related to land cannot be a once off encounter. Therefore, the interactions internally and with external prospective networks were not only intensive but also extensive in the form of meetings, visits to offices participation in national activities such as Agricultural shows and community information for a etc. the visitor friend was incidentally also an extension educator working for the university who promised to also return to the community with more ideas and the relevant colleagues within the university framework of outreach and development, which she did and the association of the project with the university lasted since then to date.

The project had several components as mentioned above hence the designation of multipurpose. However the most predominant feature was employment creation for income generation. In other words while the bulk of the training was for skills that would enable the members to survive the day to day challenges such as small scale vegetable growing for home consumption, good nutrition and health education, the main aim was to find ways of compensating the loss of food security and income as a result of loss of land. Intensive training was provided under the auspices of the Lesotho Cooperatives and Credit Union League which resulted in the group being register two or three years later thereby acquiring legal status which enabled them to receive financial support from Government and international development agencies when and if they qualified for such support,.

The support provided was multidimensional with a diverse team of stakeholders which were and still are some of the following: African Development Foundation (ADF), Unitarian Service Committee of Canada (USCC), Ministry of Agriculture(Crops, Piggery, Poultry keeping, Nutrition, Cooperatives), World Vision International, The National University of Lesotho, Ministry of Interior and Chieftainship

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Affairs, Ministry of Transport and Telecommunications, Ministry of Education, Lesotho Council of Non- Governmental Organisations, World Vision, Lesotho etc. Ha Luka underwent a very Intensive and comprehensive programme of Capacity building with a strong bias to Cooperatives which has been a popular movement and community development approach in Lesotho. The programme was revised periodically to meet the evolving challenges. For most of the stakeholders, Thota-ea-Moli held promise for success and it became a laboratory for experimenting with different approaches to community development and engagement (Project records 1983 to date).

Project Implementation

As mentioned before, most of the project activities were in the areas of Poultry keeping, Dairy Production, Vegetable gardening, Knitting and sewing especially school uniforms piggery and home brewing and sale of outputs form these for income generation. All of these activities were implemented by clusters of cooperative members. Using the funds received as grants from the international development partners, as part of the design, members had agreed to borrow from those on a rotational basis. This means that those borrowing first had to use the borrowed money to generate income and return so that the other waiting members could do likewise. Therefore, the project concept was that of assets being held in trust by individuals to address their needs. This meant that what the project had was collectively owned but individually used to address household needs of members. The collective aspect was prominently employed in particulars aspects of the project such as in the marketing of products whereby when an order was received the treasurer had responsibility (working with the executive committee to have the order proportionately shared by members to supply the product so that all members had opportunity to take advantage of the available market. There was also a rule for collective purchasing of inputs by each project sector in order to share and offset the high costs of transport to town to buy inputs or for the sale of products.

The case also aimed to address the non-money aspects of the venture such as the loss of dignity from the status of landlessness, the conflicts that arose from divergence in interests and needs on the basis of gender, age, class and income, levels of education, employment status and from those who did not have land and were still expecting to be allocated land by the chief or to inherit it from their parents. In other words, it was clear right from the start of the problem that there were benefits to be derived by almost all households in the community and therefore there was an aim for inclusive empowerment. This is a case of a community programme which brought all members of the community together to solve a common problem. The solution sought was to be long term as the community and all those who eventually came on board to support the initiative were drawn by the community into using this principle of inclusiveness. All came to an understanding that trying to address a problem related to land cannot be a once off encounter and that it is also bound to be a complex matter. Therefore the interactions amongst all the parties were not only intensive but also extensive. The support provided to the group was also multidimensional with a diverse team of stakeholders. The community was also not homogeneous and their needs, interests, demographics, physical location within the community and extent of land loss, were also to somewhat varied. These and other factors posed as challenges which will be discussed later in the chapter. For now a focus is made on the project achievements.

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ACHIEVEMENTS

Within the broad framework of empowerment as a core principle of community development which is also linked to sustainability, this case is serves to demonstrate achievement to a great extent with regard to empowerment of the women of Thota-ea-Moli and their community. Their empowerment is evidenced within several areas and the three picked to illustrate the point are; economic empowerment, social empowerment to include access to power, authority, control and decision making and conflict management,. Empowerment is one of the most elusive concepts that is also, applied across a wide spectrum of disciplines from economics to sociology, psychology, philosophy, political science, human rights, education and even in business and the sciences. Empowerment is sometimes perceived as a process, a methodology or a strategy. Sociological empowerment often addresses members of groups that social discrimination processes have excluded from decision-making processes through - for example - discrimination based on disability, class or economic status, race, ethnicity, religion, or gender. These groups are marginal to mainstream power and decision making structures and are generally excluded from processes of the wider society. As a result of that marginal status they are also excluded from enjoying the full benefits of what their societies are able to offer. Empowerment in these instances then becomes a means through which these groups obtain the basic opportunities and it often involves systematic skills acquisition improvements in the psychological factors such as self -confidence and self- esteem and increased economic gains or increased participation in power and decision making structures. While broadly speaking, empowerment conjures up ideas from a wide landscape of meanings, and interpretations, for purposes of this chapter the focus is on economic empowerment as both an achievement and a challenge which was and it still is faced by women of Thota-ea-Moli.

Economic Empowerment as an Achievement

Besides social security, there is a need for economic freedom by all persons. Economic freedom in this context refers to a condition which enables people to utilize their innovative and creative capacities in the development process; protects individual economic rights to have access to productive assets, including land rights; provides a right to control one's labour in terms of decisions to engage in economic activity of one's choice; and conveys a right to control the fruits of one's labour. It also implies a right to gainful employment (Meena, 2010). To a relatively large extent, the women in this case achieved this. It is a generally held view that economic empowerment has positive impacts on the lives of those who gain it and on the lives of their families as it gives them some degree of independence. There is also, empirical evidence to suggest that economic empowerment of women is central to their subsequent ability to survive poverty, exploitation, violence, discrimination and violations of many of their fundamental human right. Therefore, the women's economic empowerment framework which is closely associated with feminist thought has been used globally as a stepping stone to achieving some degree of equality between men and women. In the context of development and for groups of the type that this case is presenting, the community empowerment framework has been applied. This framework has been mediated through interventions that aim to change the lives of communities or community groups and facilitate their seeking solutions to defined community problems. This process often involves determining the

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causes or relationships amongst social factors, and to engage in effective individual and collective action to address those problems or their causes. The problem being addressed may be within a sector or several sectors such as education health, agriculture or in the broad area of economics such as land, environment, water or even access to ICTs.

In this particular case, the common problem was Ha Luka households (almost the whole community having lost its farming land to a government development project- site for the International Airport (Moshoeshoe 1 International Airport). The main purpose of the project was employment creation in order to address the ensuing state of socio economic deprivation as a result of loss of farming and grazing land to the airport project. From the activities as described the community members of the project anticipated a close to regular income from the sale of project products such as vegetables, eggs, chicken and farm produce such as milk and pork etc. The benefits were to be gained by almost all households in the community. For the project members these would be direct benefits while for the rest of the community the benefits would be indirect in the form of goods and services. The uniqueness of this case is that it was a rare community program which brought together, all members of the community to solve a common problem. Therefore, by its nature, engagement with the project by all the stakeholders, almost always dictated involvement of all of the community members, thereby making it a very complex development venture that also brought out a complex set of factors both enabling and some real challenges and barriers which will be further illuminated in the subsequent section of this chapter.

For the economic activities of this case to be viewed as processes of empowerment, it is necessary to reflect on the background part of this chapter on the economic situation in Lesotho which is intricately tied with migrant labour by Basotho men into South Africa. This more or less seems to point to the fact that interaction with money at a personal level and actually earning it was in this culture and presumably for women in Thota-ea-Moli, ha Luka had been a male prerogative until inception of this project. For the members also, the levels at which they had interacted with money differed because as it is women are not a homogeneous group much as they might have a common problem. The project members were diverse with regard to age, economic background, educational and literacy levels interests and needs and expectations, family size, or even whether in spite of lost land there was a family member who was bringing income from the mines. True, the cooperative experience enabled the women to borrow money and repay at a rate determined by them thereby not subjected to some of the inhibiting factors for women to take loans such as their legal status. Now in an environment where such barriers were removed without accompanying mechanisms to safeguard the loan, the extent to which failure to repay occurred seems to have been high. In discussing the challenges of this, the women said in their view, those with loans really wanted to repay the loans because they did not want to disgrace themselves and their families to the community and also to the funding support agencies who often received reports about the project In other words the community aspect served as a sanctioning tool for the members. In addition to this, they also articulated a fundamental cultural perception of a loan that they brought into the project. They said in Sesotho culture, a loan among or between people who live and know each other, is a long term investment and an expression of a relationship especially between neighbours. When this is considered in contrast with the concept of a loan within a strictly financial institution, such as a bank or with a foreigner where the pressure to repay would be even more, seems to confirm the empowering experience of this project by its members. The cultural conception adds a human touch to an otherwise economic development which is also one of the fundamental principles of human development.

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Access to Power, Status, Authority, Control, and Decision Making as an Achievement

The whole project account provides evidence of increased access to power by women of Thota-ea-Moli to make decisions in their families and outside the family in formal project or group settings that also have an economic face. Decision making also involved patterns of communication that the members articulate well as they discuss their resources management processes. In their loan processes, for example, members report that they had to sign and one member said, "this thing of using books was new to us, but I like it because we all realise that what is written does not change." This realisation has to be appreciated within an otherwise anchored tradition of oralcy. Evidently, agreements on what was to be done and how, were also entered into through use of collective group skills within new institutional structures and a frameworks of distinct patterns of division of labour and responsibilities. There is the executive committee, sub committees, the chief as the overall overseer of development aided by the village development Committee, Extension staff of Government and the university as external stakeholders and programme officers of international development partners, etc.). This complex structure involves hierarchies and protocols that members of this project seem to have been able to operate in successfully. Most importantly an empowering aspect in this case was capacity of the project to move women out of the private domain of decision making and expose them to the public in a manner that is not common for most women particularly during those years (early eighties and in this part of the world). What emerges from the case is also the fact that the Women of Thota-ea-Moli seem to have realised early enough that implementation of the project required a lot of skill in areas where they saw some cultural contradictions and they demonstrated readiness to adapt in this transitionary environment. This realisation was even more evident in their discussion of Conflict and conflict management as another example of an achievement on their part.

CONFLICT MANAGEMENT

Sociologically speaking, in every unit of society conflict is eminent. In discussing project management processes in this case different experiences of conflict are alluded to, which arose from some of the following:

- Access to and control over resources;
- Accounting processes and systems with regard to project resources;
- Loan repayments and the eminent conflict that arose from this;
- Performance of roles and responsibilities especially leadership roles;
- Sharing of Project benefits, both long term and short term;
- Different perceptions about some aspects of the project(grants turned into revolving loans; collective ownership and individual use of assets.

In showing their empowerment with regard to resolving conflict this incident was used; one of their earlier committees had overstayed their term and was not prepared to relinquish power. They stalled the election process until at one general membership meeting the members say, they unanimously removed those members from the committee and elected a new one. In other words, they did not as members

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only think and talk about what to do but they forcefully took charge to implement the plan that they had crafted and mobilised for prior to the meeting. However, they were quick to point out that in asserting and claiming this right from people with whom they live outside of the project they exercised restraint and continue to show due respect to the members. But at the same time they said what drove them to act in this instance was the realisation that if a source for conflict remains unresolved then that is a real problem. The ways in which conflict is perceived in this case seems to confirm the notion that conflict resolution or mediation is a creative process that requires full ownership of those involved. It also highlights the fact that conflict often features prominently in women's development activities which have a potential to empower them.

In summary, it can be noted from these achievements that some of the following principles of empowerment emerge from the case.

- People centeredness and broad based representation of those with a stake in the project;
- Hands on participation, engagement, and inclusion;
- Ownership of project plans, processes and outcomes which motivated members to develop individually and collectively;
- Community self-determination within the framework of shared values;
- Equal partnerships and building of networking with elements of equality;
- Collective strength and unity in diversity.

The women of Thota-ea-Moli were able to identify a community problem and the factors compounding it, develop strategic solutions and facilitated processes of independent change in their lives as individuals and as a community. They achieved this through identifiable economic and social gains in the form of income, power decision making and improved social status. They took the initiative to mobilise support for change, build their skills and capacities within a framework of enhanced ability to make choices that positively impact their lives and those of their families and community. All of this was a result of a project implementation strategy that comprised of structures such as those of leadership, power and authority and control capitalising on local resources, and a role sharing mechanisms which were anchored on effective systems of role assignment and role sharing. Evidently, the Thota-ea-Moli Project gave the women and the community a voice with the national decision making structures and gained them an international face. But of course like any other development initiative, this project was not without challenges, some of which are presented in the next section of this chapter

CHALLENGES

From the foregoing presentation, it can be noted that Thota-ea-Moli Multipurpose Cooperative is a unique and complex women's empowerment project. It can be expected therefore that it also had and still has a number of challenges which were also many, diverse and evolving. For all the stakeholders of the project, Thota-ea-Moli has served as a laboratory for experimenting with different approaches to community empowerment and engagement for own development. Among the many challenges from which lessons can be drawn the following are of particular interest in this case:

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- Lack of hands on experience in the public sphere by the women members (particularly from an economic perspective) within the context of an enclave economy) due to the entrenched socio-cultural belief that a woman's rightful place is in the home.
- The generally low status accorded women in Basotho society which culminated in the current policy and legal frameworks which are discriminatory to women and inadequate institutional mechanisms for advancing the status of women.
- The hostile economic development environment in which resources are acutely limited and women are also of a relatively low economic status as a result of higher rates of unemployment and low participation in the labour market, limited access to credit and overall lack of the financial means to effectively compete, in entrepreneurship and business.
- Limited capacity at the start of the project to effectively interact within the mostly patriarchal structures of local and central government.

FUTURE TRENDS

All in all the project has evidently been empowering as it has enabled the members to devise a lasting solution to their common concern within the framework of a range of options. Against the backdrop of scanty empirical evidence on the impact of cooperatives on women's empowerment in Lesotho, this case has been used to present the experiences of Women of Thota-ea-Moli, Ha Luka as empowering experiences. It is on record that generally, in spite of their patchy history, cooperatives are widely seen to have potential to make positive impacts on development and poverty reduction (Birchall, 2008 cited in GSDRC p.1 & DFID (2010). These authors further argue that, cooperatives make an important contribution to sustained economic growth and to making markets function better for poor people. Perhaps this is why the UN has acknowledged their important direct and indirect impacts on socio-economic development in terms of promoting and supporting entrepreneurial development, creating productive employment, raising incomes and helping to reduce poverty while enhancing social inclusion, social protection and community-building. On the social aspects it should be interesting to note that several studies argue that cooperatives do not only directly benefit their members, but also have positive effects for the rest of society (UN, 2009). In the case of Thota-ea-Moli, the solution sought was to be long term as the community and the stakeholders agreed that trying to address a problem related to land cannot be a once off encounter. Evidence for empowerment seems to be demonstrated by the Women of Thota-ea-Moli's independent decision making; persistence and determination to achieve a set goal; high levels of confidence; individually and collectively; adaptation within exigencies of contradictory traditional modes and ways of thought and modernity; a good grasp of the dynamics of group functioning; and a fair perception of the non- economic aspects of development experience such as this.

The unique experiences within a unique context include the exercise of power and control within a public sphere a trend of feminist thought that needs to be upheld, improved status by slightly circumventing the legal constraints around women's access to power, credit and status and authority. There is also evidence of an effective interface between traditional practices and ways of thinking, tolerance and accommodation of heterogeneity and a fair perception of gender dynamics in this specific cultural context. The case also supports the view that when we talk about women's empowerment, we mean the process of renegotiating accepted norms and expectations about female and male roles, relations, and responsibilities. This strategy serves to open up new opportunities for women within the household, the

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community, the country and beyond. The case further demonstrates, that despite the many and sometimes deep divides between women in terms of ethnicity, class, education, age, family background and religion, women still have the common interest and capacity within the framework of their social, legal and cultural identity, to act together for a common cause (UN, p.15). This chapter has also presented some of the strategies that women used to address some of the challenges they face. Some of the strategies were evidently creative, culturally anchored and very bold forming part of the lessons for future development and empowerment projects for women in this context. This seems to point to a trend in which there is realisation that indigenous approaches can be a useful foundation in the tackling of modern day problems such as the approach to conflict as described in the case.

Much as access to and control over land and or property is a generally gendered process, in Lesotho this is sanctioned by the dual legal system which inform policies and socio cultural practices uphold those. However, until 2006 when the Legal Capacity of Married Persons Act was introduced to eliminate inequality between married persons, women in Lesotho had always, individually or collectively, used alternative strategies to access land (Larsson, Mapetla & Schlyter (1998) such as collective access to resources through cooperatives within the framework of slowly changing gender relations. Until then, indirectly, women's empowerment was constrained by the women's legal minority status. This legal reform achievement holds promise for women in dealing with the factors of gender inequality which are embedded in the legal and cultural systems of Lesotho. Other areas which hold potential for Thota-a-Moli women include use of Technology, specifically information Communication Technologies (ICTs) to address some of the project challenges. Foundations for us of these had already been laid when in spite of the limitations of access, the women report to have been using the radio, for example, to listen to an Agricultural weekly Programme from which they learnt about developments in the different aspects of the project or to access information regarding markets for inputs and outputs, invitations to national activities such celebrations of National Cooperative day at which they had good opportunities to network and further empower themselves.. In this era of Cellular phones, computers and other tools, there is increased potential to exploit these. What would be needed is improved infrastructure to support use and capacity Building to facilitate that use in this information and communications technology age.

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KEY TERMS AND DEFINITIONS

Cooperatives: These are autonomous associations of people who voluntarily come together to cooperatively address or solve an identified problem or need for their mutual social, economic, and cultural benefit.

Development: The act or process through which growth, progress, advancement or change is achieved; the state of being developed; There is socio economic development which refers to the sustained and concerted actions that promote or achieve improvements in the standards of living and wellbeing of people as individuals, communities or societies in specified locations.

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Empowerment: The process of increasing the economic, political, social, educational, gender, or spiritual strength of an individual or group of individuals. It can also be used to mean the granting of power to someone, for them to perform certain functions, duties acts or responsibilities on behalf of others. Empowerment is the process of obtaining basic opportunities for marginalized groups of people, either directly by those people, or through the help of non-marginalized others.

Lesotho: Officially, the Kingdom of Lesotho, is a small democratic and sovereign country in Southern Africa which is completely surrounded and landlocked by South Africa. With its scenic mountains and valleys Lesotho is known as the Kingdom in the Sky because of its lofty altitude. It is the only country in the world that lies entirely above 1,000 metres (3,281 ft) in elevation.

Poverty: This means dearth; neediness, state of deprivation and scarcity. It implies a state of lack of necessities and poor state of existence as a result of limitations with regard to basic needs, income, health and other social services for individuals, households, and societies.

Rural: Geographic areas which are located outside cities and towns; Countryside; an open stretch of land that usually has fewer homesteads, limited sparsely populated and limited services and generally lacking in many of the development indicators.

Women: A plural of woman which means a person of a female sex identity; an adult human female, often referred to as a lady. The antonym of woman is man or adult male person.

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Chapter 72
Agriculture, Trade Liberalization and Poverty in the ACP Countries

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ABSTRACT

This chapter looks specifically at the impact of the ACP agriculture trade agreements on issues of food production, food security and poverty and how they relate in some ways to each other. It is divided into four distinct but inter-related sections. First, poverty in the ACP regions is briefly described. Secondly, the importance of agriculture, particularly the role of small farming systems to economic growth, employment, food production, food security and poverty reduction in the ACP countries is examined. Thirdly, the impact of the acceleration of trade liberalization and agriculture protectionism on ACP countries is reviewed and analyzed. Here, the trade arrangements and networks in the three ACP regions are described and include international, regional and local agricultural trade and market agreements. Further, the paradoxes and dilemmas that emerge are interrogated and their outcomes discussed. Particular attention is paid to small producers and women. The fourth and final section of the chapter concludes that while the impact of agriculture trade liberalization remains a mixed bag of positive and negative possibilities, one thing that is clear is that while trade liberalization is promoted as a cure for food security and world poverty, the jury is still out on whether it has helped or hindered this endeavour. Trade policies and arrangements do substantially change the lives of people in developing countries, but in very complex ways. Recommendations are made to support the South-South initiatives of the ACP and others as well as enhance regional and domestic agriculture production and trade policies. The author, however, warns that agriculture and trade policies must be linked closer to food security and the healthy diets of local populations.

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Overcoming poverty is not a gesture of charity. It is an act of justice. – Nelson Mandela

INTRODUCTION

International trade and financial transactions are not new phenomena. From time immemorial, people across the globe have exchanged goods and services. Today, societies have become more specialized and no single country produces all that is needed to sustain itself. Thus, the exchange of goods and services is even more necessary than before. However, the formation of cooperative entities and marketing blocs have made trading more political and convoluted. No longer is the simple use of supply and demand economic principles applicable. Currently, the international movements of goods and services have more to do with decisions made by multinationals and groups of developed countries. According to Koroma and Ford (2006), the rapidly changing structure and patterns of trade are heavily influenced by private sector investment and standards. As a result, freedom to trade at all levels, from the farm gate to the stock market, is now much more complicated and is further removed from the power of producers and/or consumers, who are also finding it increasingly difficult to avoid slipping into the clutches of poverty.

The primary purpose of this chapter is to examine the links between agriculture production and trade, food security, small farmer production, and poverty reduction in developing countries. It specifically analyses the impact of agriculture trade policies and outcomes in select African, Caribbean and Pacific countries known as the ACP group. There are 79 African, Caribbean and Pacific states that form the ACP: 48 are in Sub-Saharan Africa, 16 in the Caribbean region, and 15 in the Pacific. The countries are demographically, geo-physically and economically diverse; 40 are considered less developed countries, 37 small island states (or both), and 15 landlocked developing countries (see table 1). The total ACP region population is approximately 727 million and represents 15% of the total population of all developing countries. Ninety-four percent live in Africa, close to 5% in the Caribbean and just over 1% in the Pacific islands. According to ACP Secretary General, Dr. Patrick Ignatius Gomes, in his address to the UN Summit on Sustainable Development at the 70th United Nations General Assembly (2015), **"**the domains of the ACP group include: rule of law and good governance; global justice and human security; intra-ACP trade, industrialization and regional integration; building sustainable, resilient and creative economies; as well as financing for development." Further South-South and Triangular Cooperation informs the group's approach to all these domains.

In reality marketing and trade arrangements can sometime result in uneven benefits and the extent to which they assist in poverty reduction remains contested. The chapter infers that agricultural trade policies are often bullied by international trade magnates and are not necessarily the answer to economic growth, food security and poverty reduction in most developing countries. Moreover, trade policies, although still important, do have negative impacts on developing countries including marketing preference erosion, decline of tariffs, and the demand for high level of competitiveness which requires a wide range of mitigating factors. Thus, many developing countries are often confronted with substantial disadvantages in implementing current trade policies that necessitate having substantial resources that they simply do not have (UNCTAD, 2013). Since most of these countries including those member states who belong to the ACP Group are agrarian-based, current agriculture trade policies have direct and indirect impacts on poverty, economic growth and the well-being of the people who live in these countries.

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Table 1. The ACP states by region and economic classifications

Least Developed Countries (LDC)			Non-LDCs		
Africa (34)	**Caribbean (1)**	**Pacific (5)**	**Africa (15)**	**Caribbean (15)**	**Pacific (9)**
Angola Benin Burkina Faso Burundi Cape Verde Central African Republic Chad Comoros Dem. Republic of the Congo Djibouti Equatorial Guinea Eritrea Ethiopia Gambia Guinea Guinea-Bissau Lesotho Liberia Madagascar Malawi Mali Mauritania Mozambique Niger Rwanda Sao Tome & Principe Senegal Sierra Leone Sudan Toga Uganda United Rep. of Tanzania Zambia	Haiti	Kiribati Samoa Solomon Islands Tuvalu Vanuatu	Botswana Cameroon Congo Cote d'Ivoire Gabon Ghana Kenya Mauritius Namibia Nigeria Seychelles South Africa Swaziland Zimbabwe	Antigua &Barbuda Bahamas Barbados Belize Cuba Dominican Republic Grenada Guyana Jamaica Saint Kitts & Nevis Saint Lucia Saint Vincent & the Grenadines Suriname Trinidad & Tobago	Fiji Papua New Guinea Tonga Marshall Islands Cook Islands FS of Micronesia Nauru Niue Palau

Table taken from Commodities and Trade Technical paper #8, pg. viii, (2006)
LDC= Less Developed Countries

OVERVIEW OF POVERTY AND AGRICULTURE IN THE ACP COUNTRIES

World Bank estimates indicate that on a global level, the first Millennium Development Goal of cutting the 1990 poverty rate by half in 2015 has already been attained. However, despite the progress made there are still large numbers of people whose standard of living fall at or below the poverty line. Close to 17% or 1 billion people in developing countries live on less than US $1.25 a day, that is, about one in seven of the world's population suffer from hunger (World Bank 2015). Similarly, the United Nations Food and Agriculture Organization (FAO) estimates for 2012-14, indicated that approximately 805 million people were chronically undernourished, i.e., one in every nine people in the world had insufficient food for an active, healthy and productive life.

Progress made towards meeting the Millennium Development Goals internationally has also been uneven. The gap between the wealthiest and poorest countries has widened and the level of hunger and poverty varies among developing regions. For example, although developing countries overall experienced

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a reduction in poverty, a disproportionate amount (just over 80%) of the world's extremely poor live in South Asia (399 million) and in Sub-Saharan Africa (415 million). Fewer than 50 million of extremely poor people live in Latin America and the Caribbean (LAC), the Middle East, North Africa, Eastern Europe and Central Asia, combined. Furthermore, the vast majority (791 million) of people who live in dire poverty reside in developing countries (WorldBank, 2015). Thirty-nine of the 49 developing countries are members of the ACP groupings where approximately 214 million undernourished individuals can be found in Sub-Saharan Africa[1] and 37 million in Latin America and the Caribbean.

There is also the problem where increasingly larger numbers of families in some of the ACP countries are eating too much of the wrong types of food, resulting in overweight and obesity. For example, while hunger is a major problem in sub-Saharan Africa, the excess intake of calories seriously undermines the health of many in the Caribbean and Pacific regions. Chronic non-communicable diseases, several related to poor nutrition, now account for 57% of deaths in the Caribbean. Further, although undernutrition and iron-deficiency anaemia persists in the region, the increasing incidence of obesity is now the major source of nutrition-related problems. In addition, diseases related to obesity such as diabetes, hypertension and heart conditions are chronic and very expensive to manage placing financial burdens on poor families (PAHO 2014).

A similar story can be told for the Pacific region, where half of the adult population is overweight. Pacific Islanders tend to eat a lot of imported canned meats like spam and corned beef, which has a negative effect on their health. In 2007, eight of the 10 heaviest countries were located in the South Pacific. Nauru, the world's smallest republic with just over 9,000 inhabitants, earned the number one spot with over 90% of their adult population considered obese. At the same time, 38% of Papua New Guineans live below the National Basic Needs Poverty Line, which means 2.7 million people are unable to buy sufficient food and meet basic requirements for housing, clothing, transportation and school fees. Even more alarmingly, 61% of the populace does not have access to safe drinking water (Borgen Project Report 2015).

Ironically, the lack of adequate food, proper nutrition and the resulting high levels of diseases and deaths related to poor nutrition in many ACP countries occur in places where agriculture and food production have historically been core to people's livelihood and dietary needs. Currently, ACP countries need to produce increasing quantities of food to satisfy their growing populations. However, food security is not just about growing more food, but also about high quality items that have the nutritional value for healthy diets. Equally important therefore, is that healthy food items should be accessible and affordable to all sections of the population, including those responsible for producing them. It is therefore imperative that domestic agricultural policies and practices be oriented around these understandings and trade negotiations be sensitive to the needs, capabilities, health and well-being of people.

Role of Agriculture in Livelihoods, Employment, and Food Security

Taken as a whole, ACP countries average significantly lower rates of per capita Gross Domestic Product (GDP) growth than most developing countries. However, with the exception of the Caribbean subgroup, agriculture's share in the GDP of ACP countries is normally higher than in developing countries collectively, and in some ACP countries agricultural products form the larger portion of their total trade. In the case of sub-Saharan Africa, the processing of agricultural products also accounts for two-thirds of manufacturing value-added (CTA 2011). Moreover, agriculture still accounts for more than 60%of total employment in ACP countries compared to around 55% in developing countries jointly. Most of the

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ACP countries have also sustained increases in per capita food production, but food production has not kept up with population growth nor the dietary needs of any of the three ACP sub-regions (FAO 2006). Specific to Africa, agricultural production has increased steadily, tripling in value and is almost identical to that of South America, but lower than that of Asia. However, the growth of the sector is uneven and the World Bank estimates that there is a wide spread in agriculture's contribution to GDPs across the various African countries. For example, in Libya, Guinea, Gabon, and others, agriculture accounts for over 45% of the GDPs while in Burundi, Republic of Congo, Liberia, and others, agriculture accounts for under 15% of these countries' GDPs. The average for the continent as a whole is approximately 30-40% (World Bank 2012). More importantly, this sector has always absorbed a large percentage of the adult work force. Agriculture creates most of the jobs in Africa, aside from the oil-producing African countries. Half or more of the working population, an estimated 530 million people or 48% of the total African population work in the agriculture sector. A large proportion of all new entrants to Africa's working population (approximately 330 million) have very little or no option but to turn to agriculture (NEPAD 2013).

The main farming system in Africa is quite similar to that of the Caribbean and the Pacific Islands. Africa's agricultural sector is dominated by small family farms that rely mainly on family labor and women's labor. As a whole, Africa has 33 million farms of less than 2 hectares, accounting for 80% of all farms. However, in the last decade large-scale investment contracts have crept, threatening not only the persistence and support to small farmers but also to the continent's natural resources and biodiversity. These large-scale farming systems are estimated to cover close to 20 million hectares, which represents more than the arable area of South Africa and Zimbabwe combined. While the small family farming systems are unable to expand and enhance their production due to the lack of their own investment capacity and secure land tenure, many African countries have bought into the concept of industrial farming as an avenue to meeting the demands of world trade agreements and the food security of their populations. As such, in many African countries it is easy for foreign groups and multinationals to acquire land and set up operations without adequate policies to protect local production by small producers and the countries' natural resources (NEPAD 2013).

In the last 30 years, Africa's population has doubled overall and tripled in urban areas. The most direct consequence of this exponential population growth is that the continent now has more mouths to feed. Yet, cereal production, one of the main staple for Africa, has been unable to keep pace with population growth, since it has only increased by a factor of 1.8. This gap is even wider for processed products and meat, which are increasingly called for by a larger and larger urban population. In fact, Africa has moved from being self-sufficient in cereal production and other traditional crops in the 1960s to becoming a net importer of basic food items that compete with its own production of meat, dairy products, cereals and oils. In 2011, African countries spent close to US $35 billion in food imports (excluding fish), which amounts to 1.7 times the value of its agriculture exports (Africa Progress Report 2014).

A very similar synopsis is found in the Caribbean Region where agriculture is important for the region's GDP, employment, food production and food security, with these varying from country to country. For example, the 2012 data from the World Bank shows that in the Caribbean, the GDP earned from agriculture ranged as high as 21-13%in some countries (e.g. Guyana, Dominica, Belize) to as low as 1-2%in others (e.g. Barbados, Antigua and Barbuda). As in Africa, the sector is an important source of employment where some 3.3 million individuals are employed as agricultural workers. In the past decade this approximated to 32% of the labor force in 15 countries across the region including Haiti (Bourne 2008).[2] In the last decade farmers made up about 8% of the labor force in the least agrarian country such

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as Trinidad and Tobago, but comprised as much as 20-30% in countries, e.g. Belize, Guyana, Grenada, Dominica and Jamaica, which are more heavily dependent on agricultural production (Potter et al. 2004). Many others are often employed in jobs attached to the forward and backward linkages in the food sector, especially in agro processing and marketing businesses.

Although the agricultural sector in the Caribbean historically focused on wealth generated from the exportation of raw materials (sugar, cocoa, coffee, etc.) to metropolitan states (and some still do), it also benefitted from a fairly decent domestic food sector. According to Rajack-Talley (2015), the production of food items continue to be carried out primarily by small family farms scattered throughout the landscape of the Region. Although there are variations in size of operations, small producers in the Caribbean are mainly family operated enterprises co-existing alongside larger private and state-owned farms. They have limited access to land and their farms are either owned, rented/leased, shared with other family members, or illegally occupied. The size of farms can vary, but small operations range from ½ - 5 acres (.15-2.0 hectares). They practise mixed farming ; a combination of crop production, livestock husbandry, forestry, artisanal fishery and small scale aquaculture, producing food both for the home and the local markets as well as for the export market. Farmers devote a major part of their time to cultivation using mainly their own labor and that of family members, with little paid help from non-family laborers.

Over the years, agricultural development has suffered so much so, that the Region's food importation bill soars higher every year and was estimated at US $3-6 billion in 2012-2013.[3] With the exception of Belize and Guyana, most of the Caribbean countries are net importers of food, averaging 60% in some cases to as high as 80% in others. Such high levels of food importation compete with cost of local food production and food prices. Furthermore, not only have Caribbean people become more dependent on imported foods but the income needed to purchase these items has dwindled. Although the Region has over the years increased minimum wages, food price inflation has outstripped the minimum wage increases in most countries. According to the Director of the Caribbean Food and Nutrition Institute (CFNI), "soaring food prices present a crisis which has devastating consequences on nutrition, particularly in children" (CFNI Annual Report 2008: v).

Statistics on the agricultural earnings or GDP on the third region of the ACP group, the Pacific Island, are not readily available. What is known is that the agriculture and fisheries (forestry in some of the larger countries) sectors remain the economic mainstay of most Pacific ACP countries (PACPs). Commercialized agriculture does provide a substantial income to these countries based on medium, small and micro levels of production and the US dollar value of commercial market products (see table 2).

The agricultural sectors of the Pacific countries are made up primarily of subsistence or semi-subsistence farmers, producing both food crops and cash crop products in the larger countries (palm oil, cocoa, and coffee). Farming is still a family owned and operated system and many families rely on agriculture as

Table 2. Ranking of commercial agricultural production in PACP countries

Value of Top 5 Commercial Market Products	Country
Medium: Above US$100 million	Papua New Guinea; Fiji
Small: US$10 million-US$ 60 million	Solomon Islands, Vanuatu, Timor-Leste, Kiribati, Tonga.
Micro: Under US$7 million	Federates States of Micronesia, Marshall Islands, Cooks Island, Niue, Nauru, Palau, Tuvalu

Source: CTA (2011), Agrictrade, pg.2

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their main source of income. Fisheries, especially tuna, remain an important resource in several of these countries but the processing of fish as an industry remains limiting because it is too capital intensive for most of the people in the Pacific Islands. Timber is another natural resource available to some countries but it is unsustainable and under constant threat, as many of the traditional owners of this resource are unable to protect their interests in commercial negotiations and cannot depend on strong support from their governments (CTA 2011; Malua 2003).

Farming remains a very traditional practice tightly linked to family values and culture. Family farms are considered multi-purpose enterprises whereby women and men have historically provided a self-sufficient food system for households and communities (Farming Matters 2013). However, today imported foods constitute a high percentage of household diets, much like the other two ACP Regions. For example, 90% of the diets in the Marshall Islands are dependent on imported foods and 95% of the diary requirements in Fiji are derived from imported foods, particularly powered milk and cheese (CTA 2011). To break this dependency, the PACPs are actively seeking to promote greater national food self-sufficiency. That is, to produce whatever basic foodstuff can be produced locally (e.g. fruits, vegetables, root crops and small livestock) while importing other food stuff. However, because of the small size, remoteness and geographical fragmentation, many Pacific communities are highly vulnerable and suffer disproportionately from external shocks, such as adverse climatic events or market failures.

Natural disasters, reef degradation and deforestation have caused extensive damage to lives and livelihoods. With the exception of Fiji, in the other islands (Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu), agricultural land is very limited and can do little more than support the local population. Traditional ownership patterns govern land use in the Pacific but are becoming increasingly constrained by the shortage of usable land. As a result, there will always be some dependency upon imported food in the Pacific region in spite of its many negative impacts on local economies (UN-Women 2012). A few Pacific island countries have developed tourism and industry but the lack of infrastructure, especially regular transport services and accommodation, prevent these enterprises from reaching full potential (Bulletin on Asia-Pacific Perspectives 2003/04).

Impact on Women Small Farmers

Throughout the discussions so far, the production of food for families and the domestic market has been discussed as an extremely important part of the agriculture sector. Rajack-Talley and Talley (2000) pointed out that any analysis of the domestic food sector in the Caribbean (as well as in Africa and the Pacific) is essentially an analysis of women's role in food crop production. Women farmers tend to concentrate on local food production for their households, communities, society and region primarily as small producers and/or family farms. Globally, women are responsible for 60-90% of total food production in their respective countries with smaller percentages for exports (FAO 2006). In many countries, women are also responsible for fishing in shallow waters and in coastal lagoons, producing secondary crops, gathering food and firewood, processing, storing and preparing family food, and fetching water for the family (UN-Women 2012).

In many African countries women comprise 70% of the agricultural workers and 60-80% of the labor that produces food for household consumption and sale. Women do all the processing for basic food stuffs and provide 80% of the labor for food storage and transport from farm to village, as well as 60% of the harvesting and marketing activities (NEPAD 2013). Although women play a major role in agriculture, their access to land and other resources is governed by customary laws that discriminate against them.

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During the last ten years, many African countries have adopted new land laws in order to strengthen women's land ownership rights. This has helped improve the situation of rural women (Mucavele 2015). According to Dr. Lindiwe Majele Sibanda, Chief Executive Officer and Head of Mission Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN), "women farmers are the pillars of African agriculture. Yet even as the guardians of food security, they are still marginalized in business relations and have minimal control over access to resources such as land, inputs such as improved seeds and fertilizer, credit and technology" (NEPAD 2011:1).

Women in the Caribbean are also highly visible in the production and marketing of food for domestic, household consumption as well as in the regional export food trade, buying directly at farm-gate and exporting to neighboring islands (FAO 2006; Rajack-Talley 2015). The majority of women are smallholders, with the average farm size being significantly smaller in area than that held by men. Rajack-Talley and Talley (2000) argued that production constraints related to land tenure and other resources impact more heavily on women than on men because women are predominantly in the domestic and/or in the regional sphere of agricultural production and marketing, while men typically are more actively engaged in the production and marketing of traditional agricultural commodities for the international markets (see also FAO 2006; Rajack-Talley 2015).

Similarly, women in the Pacific island countries continue to be prominent in traditional agriculture ensuring the absence of absolute poverty and associated hunger in many homes (Bulletin on Asia-Pacific Perspectives 2004/04). They engage in subsistence farming to feed their immediate families and/or grow cash crops to sell in the market. According to a United Nations study on Entity for Gender Equality and the Empowerment of Women in the Pacific Sub-Region (2012:7), "women's agricultural labor is an indispensable part of food production and consumption practices". Although the ways in which the women participate in agriculture vary by island and local cultural norms, they all contribute in planting, tending, and harvesting crops, as well as in marine activities that support the majority of families throughout the region. The important role of women in agriculture on the Pacific islands is similar to Africa and the Caribbean where women are the nurturers of the family and providers of food on land, while men have been providers from the sea. However, they are disadvantaged by their underrepresentation at all levels of society, especially in the decision-making processes. Customary law established centuries ago by colonial administrative systems prevents women from owning and gaining access to land, credit and other resources in many of the Pacific island countries (Balakrishnan and Fairbairn-Dunlap 2005).

In essence, despite the many discriminatory disadvantages, women across Africa, the Caribbean and the Pacific regions play crucial roles throughout the food chain; from food production to distribution and preparation in the homes. ACP countries have historically tailored their agricultural policies to focus on the export of primary 'raw' products, in response to international trade and domination. Current trade liberalization policies that are export-driven will therefore have gendered effects in production and consumption patterns.

AGRICULTURAL TRADE POLICIES AND AGREEMENTS

There is no doubt that the governments of the ACP countries have attempted to resolve the issue of trying to feed their populations, enhance the agricultural sectors and achieve economic growth. They have over the years attempted to take ownership of their economies by adopting the following strategies: (i) developing policies, structures and trading networks among themselves; (ii) reinvigorating the

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agricultural (and mineral production) systems and reorienting them towards export markets; and (iii) developing strategies and programs aimed at poverty reduction.

In terms of trade, each region has embarked on several unilateral, bi-lateral and regional agreements as well as extra-regional trade and restrictions, all of which affect food production and movement. In Africa, regional trade arrangements include the West African Economic and Monetary Union (WAEMU), the Regional Integration Facilitation Forum (RIFF) formerly the Cross-Border initiative (CBI), the Southern Africa Customs Union (SACU) and the Central Africa Economic and Monetary Community (CAEMC). Regional trade agreements have also been created under the Southern African Development Community (SAADC), the Common Market for eastern and southern Africa (COMESA), and the Commission for East African Cooperation (EAC), the Indian Ocean Commission (IOC) and the Economic Community of West African States (ECOWAS). With the exception of WAEMU, members of the other regional bodies also belong to one or two other trading blocs[4] From these various configurations, three broad patterns of agriculture reform can be discerned: (1) adherence to market reforms (e.g. maize and fertilizer marketing in East and South Africa); (2) countries that resisted reforms and/or re-imposed controls basically opposing trade liberalization (e.g. maize in Zimbabwe after 1998); and (3) states that maintained control while implementing liberalization (e.g. fertilizer market in Zambia and Ethiopia, coffee in Malawi) (FAO 2003).

Similar regional trading networks and blocs can be found in the Caribbean region. For example, the Community Single Market and Economy (CSME) was established by the Caribbean Community (CARICOM) in response to the evolving international environment in areas specifically trade liberalization and globalization. The idea behind the CSME is to create a safe economic space where goods and services along with the factors of production (labor, capital and in the case of land the right of access for establishment purposes) to move freely and be supported by appropriate institutions, and operate in a coordinated fashion. Similar other trade policies emerged in response to the World Trade Organization's (WTO) Agreement on Agriculture such as the Revised Treaty of Chaguaramus (2001), the Regional Transformation Programme for Agriculture (2002), and the Jagdeo Initiative (2004) to name a few. During the same period that some of the agreements were being promoted, the Caribbean reeled from the loss of privileged markets and tariffs which continued in the mid-2000 as the Doha Sanction Waiver[5] expired. In 2009 the Liliendal Declaration on Agriculture, Climate Change and Food Security, as well as the Regional Food and Nutritional Security (RFNSP) were created to focus on sustainable production, processing, preparation, and the commercialization of affordable, nutritious and high quality Caribbean foods, while preserving the region's natural resources. More recently (2011), the Caribbean like its African partners in the ACP group responded to the EU – CAP (Community Agriculture Policy) by establishing its own CAP that encourages the regional building of broad-based and balanced agricultural sectors that could be internationally competitive. The anticipation that these initiatives would address the Region's issues in the agriculture sectors, and by extension Caribbean countries' fiscal stability and sustainability, food security, hunger, poverty and the protection of the region's natural resources, is still doubtful (Rajack-Talley 2014).

Governments of the Pacific Island countries have also established regional trade agreements and processes. The Pacific Island Countries Trade Agreement (PICTA) is based on having free trade among the participating countries, initially for a 10 year period. However, level of trade between the countries has been low due to geographical and logistical constraints. In fact, a 2010 analysis suggested that intra-regional trade agreements could only make limited contributions to economic development (Scollay 2010). In addition to the intra-regional trade agreement, the Pacific group has had bi-lateral Interim

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Economic Partnership Agreements (IEPAs) with the EU and a South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA). Papua New Guinea has had its own free trade agreement with Australia (PATCRA), and Fiji also established an economic framework agreement with Australia (FATERA). In addition, as a group the PACP countries established free trade with Australia and New Zealand – the PACER Agreement. There are several other agreements negotiated as either individual states and/or as a group with the USA and some Asian countries.

Of all the various extra-regional trade arrangements agreed to by the ACP states, one of the largest is that between the African, Caribbean and Pacific countries and those of the European Union (ACP-EU). As far back as 2000 the ACP-EU agreement was signed into what is known as the Cotonou Agreement which entailed a comprehensive framework for ACP-EU relations. The intent was that the ACP-EU arrangement would help with economic development, regional integration, poverty reduction and the smooth and gradual transition of the ACP into the global economy. To achieve these objectives, the Agreement provided an approach for ending the WTO's compatible trading arrangements between the ACP States and the EU. This was to be accomplished through the conclusion of Economic Partnership Agreements (EPAs) that were bargained during 2002 and 2007. The ACP States negotiated the EPAs as regional groups: CEMAC (Economic and Monetary Community of Central Africa; ECOWAS (Economic Community of West Africa States; ESA (Eastern and Southern Africa); SADC (Southern Africa Development Community); CARIFORUM (Caribbean Forum); and the Pacific Forum.

According to Bilal, Dalleau and Lui (2012: ix), the African, Caribbean and Pacific (ACP) Economic Partnership Agreements (EPAs) with the European Union (EU) resulted in various degrees of progress across the three regions. For example, while in the Caribbean comprehensive agreements have been reached, most African and Pacific countries, particularly the least-developed countries (LDCs), are still negotiating comprehensive regional EPAs.[6] Under an EPA, the EU agreed to grant full and immediate market access to ACP/African countries, however, those ACP members who decide to enter an agreement must remove tariffs on "substantially all the trade" between themselves and the EU "within a reasonable length of time", to comply with Article XXIV of the General Agreement on Tariffs and Trade. However, because governments depend on revenues from trade taxes and custom duties, many ACP countries resisted, because the reduced revenues impacted negatively on social expenditures, meeting the Millennium Development Goals (MDGs) and poverty reduction. These concerns obstructed EPA negotiations and regional integration efforts.

Bertow and Schultheis (2007) argued that the opening of the ACP agricultural markets, following the principle of reciprocity, seems to be obligatory for the EU while causing a lot of difficulties for many of the ACP Group of States. For example, while European farmers are able to enter the world market without export subsidies, the farmers in the 'partner' Africa, Caribbean and Pacific countries are unable to do so especially within the timeframe allotted. This is because of underdeveloped infrastructures and little or no subsidies to the farmers in the ACP group. On the other hand, famers in the EU are supported by subsidies, have access to infrastructure, technologies and other resources, and both the negotiations and pace for implementation of trade is on the EU's terms with tenable outcomes for the 'partner' countries. Goodison (2007) explained that the economic partnership agreement (EPA) negotiations are based on a shift from the Lome Convention's non-reciprocity commitment to a basic regime of free trade between the EU and EPA regions. This involves the liberalization of trade in goods as trade-related areas and services. He further pointed out that while Europe has effectively integrated itself, few African (Caribbean and Pacific) countries have strong regional integration.

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Impact of Agriculture Trade on Self-Reliance and Self-Sufficiency

It is difficult to decipher at first glance the advantages and disadvantages of extra-regional agriculture trade agreements and market arrangements for the ACP group and developing countries overall. Both governments and academics remain divided on whether or not agriculture trade liberalization contributes to slow economic growth, the demise of small farming households, and restrictions to achieving food security. Some researchers suggest that trade liberalization is good for growth (Dollar & Kraay 2004; Falvey, Foster, & Greenaway 2012; Sachs & Warner 1995; Summers & Heston 1991), and has generally supported agriculture development and food security (See FAO Report 2003 on Trade Reform and Food Security). Others challenge this perspective (Rodriuez & Rodrik 2000), and some believe that trade liberalization centered on comparative advantage is especially challenging for countries producing agricultural commodities, particularly raw materials and where diversification is difficult. For example, Connell and Soutar (2007) pointed out that while the Windward Islands of the Caribbean have reduced banana production and both Barbados and Fiji experienced contractions in the sugar industry, none have found effective substitutes.

Researchers also point out proposed market arrangements have not worked well for small countries. For example, in the Pacific new regional trade agreements have not been unsuccessful and as a whole international agreements have not recognized the disadvantages of small developing countries, "but continue to stress benefits that are nowhere apparent in the small island states" (Connel & Soutar 2007:41). Some see trade liberalization as having both a negative and positive impact on poverty. For instance, research on household income inequality and poverty using detailed microdata across Brazilian states from 1987 to 2005 found that trade liberalization contributes to growth in poverty and inequality in urban areas but reductions in inequality (possibly poverty) in rural areas (Abarche, Dickerson & Green 2004). It was also observed that both state poverty and inequality decrease with rising export exposure and increase with import penetration. Other researchers concluded that there is not enough data on the actual implementation of agriculture trade liberalization, or on reforms that are only partially implemented in some developing countries (e.g. Sub-Sahara), to reach any conclusive assessment (Milner & Morrissey 1999). What is less refuted, is that there are several direct links between trade liberalization and food production and poverty.

Over a decade ago, in an FAO Report (2003) on trade and food security it was suggested that there were two different approaches in addressing issues of agriculture trade and marketing and food importation and food security. First, there is the *self-reliance* approach whereby a country does not need to produce all the food it needs but to export enough goods and services to earn what is required to purchase all its food needs. The other approach, to be *self-sufficient*, is having the ability to produce all the food needs from domestic agriculture production. In this approach, it is necessary to protect and support local farmers. In reality, not all ACP countries can be self-reliant or self-sufficient, particularly if they have limited export opportunities and access to resources as well as high food needs for their populations. This is particularly true for some of the smaller Pacific and Caribbean territories. On the other hand, the World Bank suggested that with certain conditions in place, Africa's farmers can potentially grow enough food to feed the continent, that is, to become self-sufficient. According to the Bank's 2012 Vice President for Africa, Makhtar Diop:

Africa has the ability to grow and deliver good quality food to put on the dinner tables of the continent's families. However, this potential is not being realized because farmers face more trade barriers in getting

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their food to market than anywhere else in the world. Too often borders get in the way of getting food to homes and communities which are struggling with too little to eat.

As a general rule, ACP member states should first identify the extent to which their agricultural sector has the potential to meet some, most or all of their food needs - and then develop appropriate agriculture reforms.

Interestingly, discussions about self-reliance and self-sufficiency have been held in the Caribbean for decades. Sir Arthur Lewis (1978a, 1978b) suggested that governments needed to support industrialization and revolutionize domestic agriculture, as well as secure better benefits from international trade. He envisioned that export-led growth could be either detrimental or supportive to the economic development of Caribbean societies, depending on the relationship between the export and domestic sectors. Lewis warned that international trade arrangements should be linked to the specific domestic sectors of a country, including agriculture. Other Caribbean scholars further explained that self-reliance is based on domestic food production as well as local industrial development, to meet the consumption needs of the masses (Beckford 1972; Girvan 1973; Rodney 1974; Thomas 1982). This was offered as an alternative to export-led growth and import substitution. Here, the idea is not to isolate Caribbean economies from the international market but to reduce the external diversion of resources and instead invest in domestic food production and link-industries. For example, Thomas (1982) proposed the re-orientation of agriculture from producing raw materials for the world market, to the production of foodstuffs and needed local industrial inputs. Industry, in its turn, should be required to produce basic consumption goods, in particular those needed to raise agricultural efficiency (see also Amin 1977; Mansour 1979).

Self-sufficiency in food involves the development of the domestic food sector and the ability of the region to produce an adequate amount of the region's most basic food items, such as rice, sugar, citrus, fruit and vegetables, milk, eggs, poultry, fish and meats from small animals. This requires that people have access to suitable agricultural lands and other resources to more than just subsist. Given the current high food importation bills and poor diets of the vast majority of people in the ACP Nation States it is imperative that countries grow more of what they can and promote a change in food culture. This will result in decreased dependency on high levels of imported processed foods and an addiction to fast foods, especially those with high fat, sugar and salt contents. However, a move in this direction necessitates increases in government involvement, greater participation by the people, and the buy-in from the private sector. The success of self-sufficiency is heavily reliant on building the capacity of the people so that they can take advantage of the knowledge, technology and the decision-making processes needed throughout the chain of events (Rajack-Talley 2014).

Both approaches, self-reliance and self-sufficient, are linked to policies that support domestic agriculture with the possibility of one of three outcomes. First, countries can become self-reliant as net food exporters where food security is not an issue. In this case, however, access to foreign market opportunities can be daunting because of the challenges of meeting new and emerging market requirements, especially the more stringent food safety and quality requirements for export products. Additionally, many of the new trade agreements have mandated the removal of guaranteed markets between some ACP countries and the EU. As a result, in reference to the sugar industry (as well as banana and others) in the Caribbean (and other ACP countries), the Chairman of the Sugar Industry Board in Jamaica commented that:

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We have moved from a situation of a guaranteed market, guaranteed price, and guaranteed access to one in which we still have guaranteed access but nothing else and we now have to be competitive because that guaranteed access has been expanded to include a number of other countries (Heaven 2010).

Second, countries can become self-sufficient in food meeting local food needs and even engaging in export of some food items. However, to do this requires minimal biases against domestic agriculture and small farm production as well as strong agricultural sector reforms. It is dependent upon the extent to which small producers and the network of family farms in ACP countries can easily access new technologies and other resources that are necessary to increase yields and profitability from food exports, and at the same time lower domestic food prices. If this were to take place, then both rural and urban poverty would be reduced. In the real world however, most foods produced from industrialized countries are sold at subsidized and therefore cheaper prices on the open markets. This common occurrence presents a disadvantage to ACP countries that are aiming for self-sufficiency but who are discouraged by the World Bank and the IMF from subsidizing their own farmers. This practice, along with the mandate of food importation that is tariff-free, creates unfair competition against the small (and some large) domestic producers in the ACP countries. The distortion of world food prices for these reasons is detrimental to the small producers and family farms of developing countries. Consequently, the less efficient farmers who do not have access to technology and other resources are eventually forced out of the domestic and international markets.

Third, some ACP countries may decide that because they are unable to be self-sufficient in local food production aim to generate enough earnings from other agricultural exports to meet food import bills. In this case, it is important to not be dependent on the export of primary commodities with low income elasticity and high price volatility. As Ambassador Derrick Heaven, the former executive chairman of the Sugar Industry Authority (SIA), pointed out in the Jamaica *Gleaner* newspaper, the 2010 divestment of the local sugar factories has not produced the desired result because the new players in the sector are now struggling to keep pace with what is unfolding on the wider global stage. According to Heaven:

We have been weaned on the situation, where for the past several hundred years, we have been making one product - raw sugar, particularly for the mother country (England) and Europe…the situation has changed, but I don't think we have changed as quickly as we should, even though we were aware of the implications.

SUMMARY AND CONCLUSION

There is no doubt that the agriculture sector is important to the 3 regions which comprise the ACP for the following reasons: economic development and employment; food production for domestic use; and foreign exchange earnings through agriculture export production. Nonetheless, most of the ACP countries are experiencing a decline in their agriculture sectors and worse yet are increasingly unable to feed their growing populations. As a result, food import bills in these countries continue to climb. Equally dangerous, is that high levels of food importation are usually accompanied by a fast food culture and the use of unhealthy, highly processed foods – both of which contribute to increases in obesity, hypertension, and other health-related conditions. Consequently, ACP governments are grappling with exorbitant food import bills, loss of employment in the agriculture sector, and a decline in the availability and ac-

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cessibility of nutritious food that can support healthy and productive populations. Many ACP countries are neither self-sufficient in food production nor self-reliant, that is, having the ability to grow and/or purchase what is required to feed their people. Faced with this situation, international trade policies and market arrangements are often touted as the life line for agriculture growth, food security and poverty reduction for developing countries.

The benefits of agriculture trade liberalization, however, are not straight forward. The impact of these trade policies on food production, food security and food dependency is different for ACP and most developing countries compared to the more developed, industrialized nations. Moreover, there is no 'typical' or 'model' ACP country within and across the three regions. The information and discussions presented in this chapter suggest that individual countries should exercise caution when dealing with trade liberalization policies as no 'one size fits all'. Nevertheless, there are some general concerns about the negative effects of agriculture trade liberalization on the well- being of low-resource households, rural families, small farmers and women farmers in all of the ACP member States.

One glaring feature is that the removal of guaranteed protected markets and subsidies for farmers, as well as the stringent market product mandates (sanitary and phytosanitary measures, standardization and labelling, etc.) has made it difficult for the ACP countries to compete for the same export products on the 'open' and 'free' market. As a result, the agriculture sectors in these countries that are dependent on international trade of 'cash' products find themselves on a downward tailspin as many small producers, farming, rural and working families can no longer generate adequate incomes to support their families. This includes the ability to adequately educate their children, purchase food and other imported items (regardless of cost), afford proper health care and improve their living conditions overall. In other words, the move towards a self-reliant way of life for certain groups in many ACP countries is arduous.

The situation is further compounded because the removal of farm subsidies combined with an increase dependency on imported agriculture inputs, makes it difficult for ACP farmers to grow food for themselves and the domestic markets, at affordable prices. The end result, is that, rather than becoming self-sufficient in food production many of the ACP countries are importing their food, including traditionally grown poultry and other meats, milk and dairy products, some fruit and vegetables, as well as traditionally grown staples (starches, grains, cereals, etc.). So not only do we see local farmers struggling with sales for export crops but also in the production of food for home, community and the domestic market. Currently, many small producers are forced to seek other forms of employment or migrate in search of non-agricultural work. The inability of small producers to maintain their farms also translates to loss of freedom and independence. As farm and rural families migrate, the physical, economic, social and cultural life of entire villages also diminishes.

Equally important, not only are more families unable to grow or purchase adequate food to feed themselves but they are also unable to maintain nutritious diets. Cheaper food does not necessarily mean healthier choices and diets. The quality of food items imported, in particular those that are offered at lower prices tend to have high fats, salt, sugars and carbohydrates. As a result, many ACP countries continue to become dependent on food imports "that contravene their health, nutritional, environmental and cultural norms, including Genetically Modified crops, but without the option of refusing it" (Hurungo 2006:21). Citizens have no control over the price of consumer items, what items should be subsidized by their governments and what foods are imported. Food cultures are changing, health concerns are increasing and the human capabilities of both children and adults are diminishing.

Current trade liberalization strategies are not altogether dissimilar from the old Plantation Model in that they are export production centered. Similarly, they pose serious competition for resources for

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domestic food production and by extension small producers and women farmers in these countries. As many of the ACP countries adopt policies that support trade liberalization, small producers, especially women farmers are dislocated as land and the support services that should be directed towards local food production are diverted to larger farms producing for the export market. Since men tend to concentrate on cash crop production they are more likely to benefit. Even in cases, Uganda for instance, where the use of women in the production of agriculture goods for export did increase, their access to and control of agricultural resources did not. Neither did the increase in female labor in the export market sector resulted in increased incomes for farming families. Moreover, where some traditional export products (e.g. bananas, sugar, etc.) are 'in trouble' because of the removal of protected markets, there is a tendency for men to shift to growing the same crops as women and compete for limited resources.

There are not many studies on the impact of current agriculture trade liberalization on small farmers and women, but the little evidence that does exist show that there tends to be more harm than benefits. As market operations become more globalized and concentrated at the same time, small producers and women farmers overall are increasingly excluded from decision-making and the advantages of markets (ADB 2013; FAO 2006). International trade agreements, the EU-ACP arrangements in particular, need to be sensitive to the constraints faced by small producers and women farmers in Africa, the Caribbean and the Pacific. Longstanding limitations such as low levels of technical capacity, limited land allocations, credit, extension services, infrastructure and market support continue to inhibit the capacity of small producers and/or women farmers to engage with trade opportunities and switch to higher-return crop or animal production. Worse yet, as more productive resources are reallocated for 'cash crops', the production of food for the domestic market is stymied even though food security and poverty reduction remain top priorities for ACP countries.

On a global level, the ACP group, and developing countries as a whole, are more or less weak partners who are unable to take full advantage of the `intended' benefits from agriculture trade liberalization and 'open' market arrangements. Truth be told, trade policies including the use of tariffs and protectionism have not been very rewarding for African, Caribbean and Pacific countries. While these work for the benefit of developed countries, they do not have the same impact for developing countries and poor people across the globe. To simply follow or respond to the terms of agreement led by groups of select developed countries, multinationals and financial institutions can result in the ACP countries remaining food insecure and income generation from agriculture is stunted. Eventually, some ACP countries may shift from being food producers to becoming reliant on food aid from outside.

Because ACP preferences will continue to be eroded by the WTO, governments should be prepared to adjust to the changes as they expand their own trade. Stronger negotiations are critical so that the agriculture policies and strategies of ACP countries are better integrated into the globalized agriculture and economic trade agreements. According to Koroma and Deep Ford (2006), adjustment assistance should be an accepted dimension of ongoing negotiations by the ACP group on specific products such as rice, sugar, fish, and other items produced largely in these countries. Similarly, it would be advantageous if regional and sub-regional cooperation are strengthened in areas of management, control and surveillance, research and in overall development capabilities. Stepped-up regional economic integration and trade policies, revisiting those that already exist, and addressing issues of natural barriers and transactional costs are all important recommendations. In addition, similar benefits/privileges offered to farmers in developed countries should be given to those in developing countries.

Interestingly, although it is implied that agriculture trade liberalization will have a positive effect on economic growth and poverty, few studies actually examined the distributional effect on both the small

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farmers and the poor in developing countries, including those of the ACP group. FAO's latest projections indicate that global food production will increase by 60% between 2005/07 and 2050 under its baseline scenario. This represents a downward revision, based on updated data and information, from the 70% increase projected for the same period in 2009 (ESA E Working Paper 2012, No. 12-03). A rise in food production is possible in developing countries, albeit not in all. For example, in Brazil, food production increased from 12.5% in 2003 to 48% in 2008. Likewise, malnutrition declined in Rwanda from 24.5% in 2000 to 15.8% in 2005 (CTA 2011). But this requires that the agriculture in ACP countries to not be driven by international trade liberalization policies, but of meeting the Sustainable Development Goals (SDGs),[7] specifically those related to poverty reduction, ensuring gender equality, economic growth and improving the health and well-being of people. Such gains are more likely to occur from regional cooperation and domestic reforms, rather than from international trade and market arrangements (IFAD 2007).

Nevertheless, it is not recommended or is it practical to simply reverse international trade policies and agreements. However, until the proverbial playing field is levelled, agriculture trade liberalization is not 'fair' nor 'free' and 'open'. The ACP Group of States have proposed South-South Programmes to support food security and nutrition through sustainable food systems and social protection. Governments from these States, while focusing on their local and regional efforts at self-sufficiency and/or self-reliance, must step up their support for this South-South initiative. This is key to the impact of current trade liberalization policies as history has shown us that both wealth and poverty can be derived from agriculture's relationship between the debtor (developing nations) and the creditor (groups of industrialized nations, multinationals and financial institutions).

On the domestic front more attention is required to produce food of high nutritional quality. This requires a range of interventions, including policies that empowers women's decision-making in the sector and providing them with greater access to land, credit, extension services, technology and other resources. Women farmers and small producers are key to both self-reliant and self-sufficient approaches to food production ad food security. They should be encouraged to produce a diversity of grains, roots and tubers, vegetables and fruits, fish and livestock. In doing so, they can provide themselves, and supply local markets, with a diverse diet containing the minerals, vitamins, proteins and calories essential for a healthy life. Raising smallholder productivity is one of the measures being advocated by the Pan-African Nutrition Initiative and the Africa Regional Nutrition Strategy developed by the New Partnership for African Development (NEPAD) and the African Union. Effective implementation of these initiatives in Africa as well as in the Caribbean and the Pacific should improve the nutritional security of the most vulnerable populations in many of the ACP countries. But this calls for a different vision, one that sees the urgent need to create stronger links between agriculture production, food security and health and nutrition. To build stronger partnerships with school feeding projects, local food establishments and cafeterias, with hospitals and other social programs. The end goal is to utilize the agriculture sectors to reduce poverty, hunger, and poor nutrition and to build the capacity, wealth and health of all groups in the ACP countries.

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ENDNOTES

[1] One in every four undernourished people lives on the African continent as a whole.

[2] In the Caribbean there is a total of 1.1 million agricultural workers or 17% of the employed labor force, if Haiti is excluded.

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[3] CARICOM Workshop on Regional Policy for Food and Nutrition Security, Georgetown, Guyana, September 20, 2010.

[4] Not all of the African countries however, participate in the regional trade protocols and agreements.

[5] The Doha Round is the latest round of trade negotiations among the WTO membership. Its aim is to achieve major reform of the international trading system through the introduction of lower trade barriers and revised trade rules. The work programme covers about 20 areas of trade aimed to improve the trading prospects of developing countries. The Round was officially launched at the WTO's Fourth Ministerial Conference in Doha, Qatar, in November 2001. The *Doha Ministerial Declaration* provided the mandate for the negotiations, including on agriculture, services and an intellectual property topic, which began earlier. In Doha, ministers also approved a decision on how to address the problems developing countries face in implementing the current WTO agreements. The Doha Sanction Waiver expired in 2008 resulting in the loss of tariffs and privilege markets.

[6] EPAs represent a fundamental shift in the trading relations between the two parties, from a non-reciprocal preferential trading regime – under which ACP countries could export almost freely to the EU while maintaining their own restrictions on EU imports – to one requiring reciprocity in liberalization, albeit with a certain degree in asymmetry in commitments, in line with rules of the World Trade Organizations (Bilal, Dalleau and Lui, 2012).

[7] The Sustainable Development Goals, otherwise known as the Global Goals, build on the Millennium Development Goals (MDGs), eight anti-poverty targets that the world committed to achieving by 2015. The SDGs include a set of 17 Sustainable Development Goals (SDGs) to end poverty, fight inequality and injustice, and tackle climate change by 2030.

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Chapter 73
The Social Impact of the Financial Crises in the Recent Past and Evidence Thereof:
With Special Reference to India

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ABSTRACT

Financial crises have significant short-term and long-term social costs. As a result, economic and social indicators have dwindled significantly since 2007. The soar in the unemployment rate has been most marked in so called advanced economies, reaching alarming levels in the tangential Europe with more than half of the young labour force unemployed in Greece and Spain. What is more, the crises, one global and another Euro zone financial crisis, have inexplicably hurt the poor. The progress in poverty alleviation has been not smooth across regions, and the pace has slowed since 2007 across the board. The crisis has also created challenges to the achievement of other development targets, including reduction of the occurrence of malnutrition and mortality rates, and civilizing gender equality in education and access to hygienic water and sanitation. This also suggests a significant loss or a reversal of the progress in development. In the above background, this paper presents evidence on the extent to which the global financial crisis and other crises since 2007 has been associated with deteriorating economic and social well-being indicators with a special focus on India. The results clearly indicate that poverty levels have been falling before the pre-crisis period but the post-crisis period witnessed a jump in the poverty rates across India.

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INTRODUCTION

I feel cheated as I wonder how economic problems somewhere in America can make my cash crops suffer here in Malawi. It's a shame that I cannot boil and eat it. A Malawian cotton farmer (in Green, King & Miller- Dawkins, 2010)

Financial crises are not a new phenomenon. They occur — occur enormously with knock-on-effects — in different countries under different garbs. Crises will occur again and the next one will be different in some dimension from the last — and it will also be unexpected. Of late, it occurred in USA in the subprime[1] mortgage market in 2007-08. The purpose of their sub-prime loans was to maintain the housing boom from 1995 to the mid-2000s. This entitled agreeing to high-risk loans to applicants with poor or without any credit records; however, investment banks (in the business of buying or selling securities on the stock market) were handed the task by government of delivering the mortgage lending policy. These financial institutions transformed the mortgage loan assets into investment bonds, and sold them on to other financial concerns, which proved problematic in that the borrowers who had taken out the loans in the first place were unable to keep up with payments when interest rates rose rapidly after 2004. The myriad financial speculations were simultaneously reinforced by a near absence of consistent regulation to protect vulnerable groups and the whole community. However, after crossing the Atlantic Ocean it hit the various nations of different varieties with different impacts. While OECD countries have resources and instruments to cope with it and mitigate its effects on displaced workers and vulnerable people, poor countries are still below their trend of output growth and lack the appropriate tools to deal with these multiple external shocks, thus the poorest people in the poorest countries, those who are less responsible for the crisis end up being the most exposed to the global recession; not only do they lack sufficient safety nets for immediate help but also, more importantly, they have been dramatically affected in the long run by the likely reduction in social spending. Crises have hard hit in all categories of social stratum, especially the poor, babe, young, elderly, young, women and the ill, even knocked at the kitchen. This is because the poor are bereft of savings and no tangible assets. They have lost their jobs and find no access to public services such as education, health care and social services.

What the United Nations (2009) stresses is the fact that even the Millennium Development Goals has been distorted and hampered. Poverty ratios, indicators of hunger, child malnutrition, gender equality and unemployment all worsened in 2008. The World Bank (2009) estimates suggested that lower growth rates in developing countries, due to the twin food/fuel financial crisis had trapped an additional 89 million people in poverty. Besides the economic and food crisis have increased the number of the undernourished worldwide to more than 1 billion people, the highest since 1970 (Presbitero & Zazzaro, 2010).

The United Nations (2009) stresses that the financial crisis has jeopardized the achievement of the Millennium Development Goals: poverty ratios, indicators of hunger, child malnutrition, gender equality and unemployment all worsened in 2008. The World Bank (2009) estimates suggested that lower growth rates in developing countries, due to the twin food/fuel financial crisis had trapped an additional 89 million people in poverty. Besides the economic and food crisis have increased the number of the undernourished worldwide to more than 1 billion people, the highest since 1970 (Presbitero & Zazzaro, 2010). The late 2007 tsunami was successful in transforming the lives beyond imagination of many individuals and families even in advanced countries such as those in the Euro Zone[2] and the United States.

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When all US financial sectors were in recession and the housing bubble burst in 2008, they made a devastating immediate effect on ordinary Americans' housing, and the consequential increase in homelessness.

The profound social impact was being felt even much more intense than the Great Depression when a severe credit crunch in 2008 turned into a worst financial crisis, following the bankruptcy of US investment bank, Lehman Brothers resulting in an unprecedented dislocation in financial markets and damaging stability and confidence in many of the most countries' financial systems, whether advanced or not- advanced. National governments and monetary authorities' response in this connection by injecting huge financial support rapidly affected many countries' fiscal balance. The result was: weakened economic activity causing huge job losses around the world, with unemployment rates climbed very high. Particularly hurt Countries were those with poor governance, weak institutional capacity and limited fiscal room.

Then another crisis goes by the name of Sovereign debt crisis had occurred in Greece in 2010-12 exposing the financial fragility of the banks and the government inability to service debt obligations and failure to keep a check on the financial sector of the economy, highlighting the important role that money, banking and finance play at the heart of the Greek economy. What has happened in banking is that a culture of caution has changed into a culture of risk taking. So, the saying made by politicians and economists "the era of boom, bust and boost" became highly optimistic. The worrisome fact is that they hadn't anticipated that so sudden will be its land for a horrifying impact on the economy and society.

OBJECTIVES OF THE STUDY

In the above background the objective of the paper is to show the impact of the global financial crisis of 2007-08 and Sovereign debt crisis 2010-12 on the economy and society in particular. How the various impacts are being associated with and social well-being indicators are also pointed out. The paper also discusses the key channels of transmission from financial to social crises, provides some major facts on the evolution of key social and economic indicators during the financial crises occurred since 2007.How does the financial crisis transform into social crisis through key channels is also discussed.

And, last of all, what be the policy implications of these crises would are also answered. In addition, one of the other objectives of the study is to understand the difference between the scenario in the trends of poverty in India in the pre-crisis and post-crisis stage. In this background, the paper empirically tries to verify the rise in poverty rates across India in the post crisis scenario.

METHODOLOGY

The model that has been fit to the following data for the Indian case is given below:

$$g_t = a_0 + a_1 t + a_2 d + e \tag{1}$$

where:

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$$g = FGT\left(\alpha = 2\right)$$

t = time variable;

d = dummy variable for pre-crisis and post-crisis period;

e = error term following standard white noise properties;

The data has been taken up from 2000 onwards and pre-crisis period means from 2000-08 and post-crisis period means from 2008-2016. The data has been compiled from the Planning Commission database and www. India stat.com. Defining the FGT $\left(\alpha = 2\right)$ measure, we have:

$$FGT_2 = \frac{1}{N}\sum_{i=1}^{H}\left(\frac{z - y_i}{z}\right)^2$$

where, z is the poverty line income and y_i is the income of the ith poor individual and N is the total number of individuals in the economy.

The FGT_2 can be rewritten as:

$$FGT_2 = H\mu^2 + \left(1 - \mu^2\right)C_v^{\,2}$$

where, C_v is the coefficient of variation among the incomes of the poor, H is the total number of the poor, and μ, the poverty gap index, is given by:

$$\mu = \frac{1}{H}\sum_{i=1}^{H}\left(\frac{z - y_i}{z}\right)$$

TRANSFORMATION OF THE FINANCIAL CRISIS TO SOCIAL CRISIS: HOW, WHEN?

Costly to the poor are the financial crises. Financial crises have serious implications both for economic and social well-being of the people and countries. Everyone is affected by financial turmoil, especially the poor—babe, young, old women and the ill. For the poor usually awaits the ill–effects of natural disasters, contagious diseases, or climate change. Along with if it is coupled with the ill-effects of global financial tsunami, then it is extremely difficult for the poor with their limited capacities and instruments to cope with this adverse circumstance and protect themselves from the sudden shock totally new to them and recover from its effect. Even they are incapable of gaining the opportunities —if there is.

Full many a channel in the globalized world becomes active during the crisis period through which a financial crisis transforms into a social crisis. For example, we may mention (1) labor and product market channel. This channel activates and makes its inroad by weakening economic activity, reducing

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demands like consumption and investment. It results in sustained declines in economic growth, loss of jobs, reduced wages and benefits, and higher unemployment, (2) financial market channel: through this channel comes insufficient flows of financial flows across countries (in the form of foreign capital and remittances), Loss of remittances or private flows from the migrants which acts as a blessings to recipient countries as a protection to fight against poverty and malnutrition propels at last to savings erosion. During the 1997-98 contagion East Asian currency and banking crisis and the global crisis of the recent past, small and medium enterprises (SMEs) faced severe credit crunch, showing thereby that market channel has also been active in transforming the financial shocks to economic and social shocks. The same is true for Latin America, Europe and the Caribbean islands.

The state's endeavour is found when it expands spending to counter the adverse impacts of crises on people by providing essential public goods and services. This leads to fiscal deficits and countries face balance of payments difficulties. Tax revenues decline and fiscal deficits soars up. as economic activity weakens. States are forced to cut prudent social sector budgets. Expenditure on infrastructural and education development is to be reduced. Indonesia, Malaysia, and Thailand during the East Asian crisis and the 1994 Mexico are cases in point.

There is ample evidence that poverty [those who live in extreme poverty line which corresponds to $ 1 a day and the poverty line ($ 2 a day) as what the World Bank calls], rose in virtually all financial crises. The economic and societal status and well-being had been jeopardized as a result following from the intermixture of income and job losses, non–accessibility to goods and services by individual households and communities. Rising prices and falling asset values, and the associated costly coping strategies added fuel to the fire affecting again the economic and social well-being.

Overall poverty rates rose to 50 percent in Indonesia after the crisis in 1997, and urban poverty doubled to 18 percent in Korea. Ten years' earlier poverty rates in Mexico were ten times lower than in the year 2000.

Individuals' responses to crisis situations further deepen and enhance the deterioration of social well-being during and after financial crises. To be out from the quagmire of poverty traps becomes extremely difficult then as the financial crash has already been transmitted through negative wealth effects. Asset depreciation, no social government support induces the individuals and households to cut consumption. They at the same time refrain from the activity of sending their children to school and colleges. Coping strategies that long-term consequences for individuals and households in this case are highly costly; is no other but to sell their productive assets and to borrow at high rate of interest.

Social ties and cohesion deteriorate during the economic crisis. Ample evidence runs thus: suicide rates among males in Japan increased by 39 percent, in Hong Kong, China (44 percent), Korea and Thailand (45 per cent (Ötker-Robe, Podpiera, 2013).

Financial globalization, as cross- country evidence suggests, also leads to higher consumption and output volatility in low-income countries. History is the evidence to the fact that unrestricted capital flows are intertwined with a higher likelihood of poverty.

EUROPE'S SOUTH-WESTERN PERIPHERY EXPERIENCED A SOVEREIGN DEBT CRISIS

After passing through good times from 2002 to 2006 and an increase in the degree of convergence in the interest rates, the Euro zone (a currency union of 19 European countries for a single currency [the

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euro]) had faced a major crisis which started with Greece but spread rapidly to other Mediterranean economies as Spain, Italy, Portugal.

The crisis that engulfed the global economy in 2008 regained new momentum in Europe in 2012, triggering a sovereign debt[3] crisis in Europe's South-western periphery. This caught most experts and policy makers by surprise, bringing to light a number of hitherto unnoticed vulnerabilities. While these were chiefly found in the financial sectors of major advanced countries, troubles there quickly spread to the entire international monetary and financial system, in the form of sudden stop or reversal of capital flows and in liquidity shortages, as investors scrambled to reduce risk exposures and deleveraged. The crises made even more obvious how tightly the economies and financial markets of the world are tied together, with a shock in one major country rapidly propagating to the entire system (Karmakar and Jana, 2014). The crisis has made it clear that more prudence and liability is needed in the financial system, which requires a better, globally coordinated regulatory framework.

GLOBAL RECESSION, THE SOVEREIGN DEBT CRISIS (2012) IN EUROPE AND SOCIAL WELFARE

The Euro zone crisis originated in Greece, whose national sovereign debt had accumulated by 2009. Greece had entered the European Community in accord with the Maastricht Treaty in 1992, and was allowed to enter the Euro zone, evidently a political decision since its GDP was less than one percent of Europe as a whole. However, the profile of the Greek state was atypical in the Euro zone: powerful ship-owners were not subject to tax; nor were thousands of workers reliant upon the nation's tourist industry. Consequently, the private and public debt grew uncontrollably, a situation only revealed in 2009 by an incoming Papandreou government announcement that the state accounts had been consciously falsified. The crisis affected both the banks and the public sector. Interest rates began to rise in response to the clear unsustainability of the public debt. This set in train a snowball effect, as the Greek and European leaders countered the possibility of any default by Greece in paying its debt, in tandem with measures imposed by international fiscal bodies—the so-called *troika* —the European Commission, the European Central Bank and the IMF. In 2010, cutbacks of 25 percent were made to public sector wages, complementing huge public sector spending reductions, regressive tax increases, and pressure for privatization. By the end of 2011, the accumulation of austerity policies had pushed the national debt up to 160 percent of GDP. These policies led to sizeable demonstrations in the Greek capital, Athens. In early 2012, the Greek Government accepted a new 'bailout' plan of 174 billion Euros, on top of involvement from the private sector. The result was a further economic recession in the Euro zone, a culmination of its persistently poor economic growth over the decades (Bochel, & Daly, 2014).

Undoubtedly, the latest global economic recession (2008) and the sovereign debt crisis (2012) in Europe are the seminal event. While the crisis, 2012 hit hardest the developed countries and members of the European Union (EU the weakening of aggregate demand spilled over to developing and emerging countries through different channels— trade, financial and confidence linkages. The countries of Asia, emerging Europe and Central Asia, Latin America and the Caribbean, and Middle East and North Africa were affected. For example, the Government of India had reduced the GDP growth target for the year 2012-13 from 7.5 per cent to 6.5 per cent. This could be attributed to the slowdown caused by the Euro zone crisis.

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Laour markets are also affected due to depressed aggregate demand and weak economic activity. About 28 million people have lost jobs. The rise in unemployment rates has been most severe and alarming in high- and upper-middle income countries of North America and western Europe or Central and South-Eastern Europe, Latin America and the Caribbean, and advanced countries in Asia.

Crisis affected the youth. An estimated 74 million of young people went out of jobs in 2012 around the world. The jump in the youth unemployment rate has been most pronounced again in advanced economies, rising from 12.5 percent in 2007 to an estimated average of 17.9 percent in 2012. The rate has reached alarming levels in the peripheral Euro Area countries, to 59 percent in Greece and 56 percent in Spain. Long-term unemployment affects social cohesion, with ill-effects for economic and social stability. About 49 percent of world workers were in vulnerable employment in 2012. The number of working poor earning less than US$2 a day has increased by 15 million in the Middle East North Africa and Sub-Saharan Africa.

The products and services of the Asian countries have been seriously affected. Stock markets suffered. The external value of the currency has shown downward movement. Job losses and its associated fallouts such as unrest in society showed an increasing trend (Karmakar & Jana, 2016).

EXPLANATIONS OF THE EUROZONE CRISIS

The BBC's 'online' explanation was that the earlier global financial crisis and the later, more specific Euro zone crisis were closely connected. In Spain and Italy there had been a sizeable accumulation of debt, but this was scarcely due to the government's actions. It was attributable to the activities of the private sector, namely financial companies and the mortgage borrower who were taking out loans. Interest rates had plummeted in southern European countries when they 'pinned' the euro, encouraging a boom driven by the cumulative debt. Germany had created the Euro zone in 1991 and acted as the EU's driving force from its abundant funds loaned to the southern Mediterranean economies. But this left Spanish and Italian employers with a huge competitive price disadvantage. Which is why, it became far more prohibitive for the southern Mediterranean nations to export to Germany. The outcome of the resultant cutbacks was to deepen the 2008 recession, so that wage levels declined, unemployment rose, and the debt were increasingly difficult to pay back (BBC News, 2012a). A critical interpretation of this scenario is that in 2007-08 they had spent hundreds of billions of Euros in rescuing banks (Callinicos, 2012).

GLOBAL SOCIAL POLICY RESPONSE TO CRISIS

One might have expected a powerful redirection of the IMF's and World Bank's social policies and practices in their response to the deepest financial crises of modern times, yet redirections were minimal: at the most, they have targeted poverty alleviation in the global South. From 2008, agreements were made with Eastern European nations, Pakistan, and E1 Salvador, entailing economy contractions, public sector wage freezes, and cutbacks in budgets, rather than growth and welfare protection. The global institutions' lending policies continued more or less undisturbed. A 'minimum social protection package' was agreed by the UN Chief Executive Board for Co-ordination. More directly, however, the G20 summit of 2009 made $1.1 trillion available for nations in crisis.

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The European Union's Policies in Response to the Euro Crisis

The euro crisis has exerted a corrosive effect on the growth of the world economy, implicating China, Brazil, and India, resulting from the reduced trade to Western countries. In spite of a series of meetings held by the G20, recovery to date is inconspicuous. 'The crisis struck at the heart of the financial system – the banks – but it is systemic affecting every part of the economy: banks, firms, households, states' (Aglietta, 2012). While the large European banks became global operators, EU policy was only capable of delivering 'half-measures' thanks to a 'deep-seated conservatism' that may be constructed as 'disastrous in times of turbulence'. Added to which, suggests Aglietta, the Eurozone suffers from profound structural faults attributable to how it was initially constituted. For example, the French and German banks helped to pour funds into Spain's housing sector, fueling Spain's own housing bubble, which subsequently burst, leaving massive private debt (Karmakar and Jana,2014).

Euro Zone Crisis and Germany

Germany has been the dominant actor within the zone, with the zone itself modeled on Germany's own monetarist doctrine. Two-thirds of the country's trade surplus is derived at the cost of Germany's partners in the Euro zone. The nation's political rulers adopt an anti-market stance, and emphasize rules and regulations. Furthermore, German banks are 'loaded with toxic assets deriving from the American subprime mortgage crisis' (Aglietta, 2012). It was unsurprising, then, that tentative solutions were 'incremental, homeopathic', and ineffective, offering no real hope for European growth. What of the role of the Union's own bank? The Euro zone possessed a further barrier in its very institutional design, dominated by the European Central Bank. Aglietta (2012) concludes that this 'contradiction lies at the heart of the present crisis'. Until July 2012, the ECB appeared unable to act. In September 2012, the President of the ECB, Italian economist Mario Draghi, intervened in the crisis to enhance the status of the bank by buying bonds in the Euro zone countries (The Guardian, 2012b).

To recap, although the Euro zone crisis affected the global economy, including the financial and banking system, the European Union, a crucial institutional actor in global economic and social policy has not proactively countered the Euro zone crisis, unlike the big European banks. What is arguably apparent is first, the worrying disparities between the southern Mediterranean regimes and the Western European economies within both the Euro zone and the Union, and second, the immanent structural and constitutional weakness of the EU's central financial institutions. In these respects, the politics of the European Union remain as charged as ever.

THE SOCIAL IMPACT OF THE EURO ZONE CRISIS

The impact of the global 2008 crisis has been a powerful one in those member states categorized as the Mediterranean economies. The developing recession hit Portugal, Spain, Italy, Greece, and Ireland most severely, each experiencing vast national debt and bankruptcy. The European Union economies have been pressured by the wealthier Western EU economies, particularly Germany, to employ vast cutbacks in their economic and social infrastructures (now commonly termed 'austerity budgeting), not least in social welfare. This has resulted in a number of social problems bearing upon social policy, including mass unemployment, poverty, and reduced social benefits.

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Pay restraint and reductions in workers' earnings even in 2012, notwithstanding various governmental measures such as increased flexible employment, which were scarcely activated (Eurofound, 2012). Greece's economy was close to financial collapse by 2012 in the wake of total uncertainty; unemployment was as high as 23 percent, and the health care system was suffering from lack of medical equipment (The Guardian, 2012a). The health service had already suffered from the global crisis cutbacks in 2010 (with a 40 percent reduction in its hospital budget), yet was faced with a rise in admissions to public hospitals from 2009. Health outcomes had worsened, particularly among vulnerable groups; suicides had risen by 17 percent. Yet Greece's membership of Euro zone made its debt crisis worse: the government had been unable to leave the euro, and thus could not devalue the Greek currency. Instead, Greece had been forced to borrow 110 billion Euros from the IMF (Lancet, 2011).

Spain was badly hit by the later Euro zone crisis, having already suffered from the demise of its massive property bubble in 2007-08. Its banking sector was hugely indebted, and one of its largest banks, Bankia, called for a 19 billion Euros bailout (Economist, 2012). By 2012, Spain's unemployment rate of 25 per cent was the highest European Union. The majority of young adults (21.5 percent of the population) were unemployed. Whereas the general unemployment rate of 8.5 per cent in 2006 had been close to the EU average, it was twice as high at 21.7 per cent by 2011. One in four Spaniards had become at risk from poverty or social exclusion since 2010. In addition, Spain's regional administrations were struggling financially, and approaching the central government for assistance (BBC News Europe, 2012; Eurostat, 2012).

Italy's austerity measures of 2010 in response to the global credit crisis and mass accumulated debt did put a brake on the country's economic growth. Italy fell into deeper recession because of its continued debt crisis (up to 2 trillion Euros). A farther contraction of the economy sent its GDP spiraling downwards by 2.5 per cent from only the previous year, leading to extra cutbacks of 4.5 billion Euros. The social policy repercussions were grave. Some 10.3 million Italians were living in poverty. Many poorly paid youths were leaving Italy (Der Spiegel, 2012). Families in the south were in basic poverty; 'scavenging and scraping by without gas or electricity' (Daily Beast, 2012). Ten of Italy's cities, responsible for the provision of domestic services, were almost deplete of funds by late 2012, yet the national government was planning to wipe another 500 million euros off its provincial budget (The Telegraph, 2012).

Like the Eurozone member states referred to above, Portugal was one of those most affected by global tsunami, and its population's hardships were exacerbated by the Eurozone crisis. Unemployment was at 15 per cent in 2012, and still rising. Its debt was predicted to grow to 124 per cent of GDP by 2015; its recession was expected to last until 2015 (IMF et al., 2012). The government's social policy response to hardship was to attempt to enlarge social contributions for workers from 11 per cent to 18 per cent and to lower them for companies from 25 per cent to 18 per cent (EUobserver.com, 2012). In October 2012, the government's proposed large tax increases for 2013 were received by warnings from the unions that they would lead to a drastic worsening of living conditions and life expectancy (The Telegraph, 2012b).

In 2013 Cyprus, a Euro zone member and ironic location of the European Council's new Presidency (while also an investment haven for Russian billionaires) ran into grave financial crisis, re-igniting the euro crisis. Following temporary closure of its banks, a last-minute bailout of 17 billion euros was sanctioned by the European Central Bank, IMF, and the European Commission.

To summarize, the Euro zone crisis is yet one more major financial crisis bearing upon the economic stability of EU member states, the viability of the social policies, and the social wellbeing of their populations. The crisis, originating in the sovereign debt of a member state, Greece, has produced unequal effects within the European Union, with the Mediterranean countries most extensively affected. In each

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case, the euro crisis compounded the problems from the earlier global crisis. The resultant unemployment, family poverty, reduced social benefits, and general poverty conditions have persisted, contributing to rising inequality.

The Social and Economic Impact of the Eurozone Crisis on the EU

The developing recession hit Portugal, Spain, Italy, Greece and Ireland most relentlessly, each experiencing vast national debt and bankruptcy. The European Union economies have been pressured by the wealthier Western EU economics, particularly Germany, to employ vast cutbacks in their economic and social infrastructures (now commonly termed 'austerity budgeting'), not least in social welfare. This has resulted in a number of social problems bearing upon social policy, including mass unemployment, poverty, and reduced social benefits. But the problems were multiplied for the EU states (Karmakar & Jana, 2014).

WHAT HAS HAPPENED TO POVERTY AND DEVELOPMENT

The progress in respect of poverty alleviation in East Asia and Pacific has been slow and uneven. But China has been successful in poverty eradication so that every economic historian should remember.

Significant challenges apart from extreme poverty come from the crisis. The attainment of the other development goals for developing and developing developed countries, such as reduction in malnutrition, higher access to primary education, etc., becomes extremely difficult for the crisis.

Nay, the developed world has also been distorted by the ongoing crisis. Recent UNICEF Report, for example, articulates that there has been a big deterioration in child well-being in a number of advanced countries. Based on measures of material well-being, health and safety, education, behaviors and risks, and housing and environment the report exemplifies this.

Income Inequality

Financial crisis coupled with macroeconomic volatility also has worsened income equality, since lower income segments of the population are less protected from economic downturns. From the Gini index, we find that it has increased in the post-crisis period in a number of advanced countries such as Iceland, Sweden, Switzerland, Croatia, and Luxembourg. This suggests increased income inequality and a growing gap between rich and poor. Even in Germany, (Gini index being low than others countries of Europe) inequality seems to have increased, with the richest 10 percent of the population now controlling 60 percent of all wealth. The Gini index sharply has deteriorated after the crisis in several developing countries in Europe and Central Asia and Sub-Saharan Africa. This shows the worsening socio-economic conditions

SOCIAL IMPACT ON INDIA: AN EMPIRICAL RESULT

The GLS estimation results of Equation (1) can be found in Table 1.

The results clearly indicate that poverty levels have been falling before the pre-crisis period but the post-crisis period witnessed a jump in the poverty rates across the Indian subcontinent. The first case

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Table 1. Pre-crisis vs. post-crisis period (GLS estimation)

Period	Dependent Variable: g	Coefficient	$\left\|P\right\| > t$
Pre-crisis	t	-1.30	00
Post-crisis	t	2.47	0.00

Source: Results compiled by the author; the constant terms have been ignored

corresponds to the pre-crisis period and the second case corresponds to the post-crisis period. The value of the coefficient indicates contrasting results across the two periods. With time, the value of the FGT index in India was going down in the years before the crisis from 2000 onwards but after 2008, the scenario changed and the data reflects that poverty has been on the rise ever since then. This result is very much consistent with the data we have on poverty in the post-crisis period.

Social and Political Cohesion

United Nations vociferously points to a sharp deterioration in social and family cohesion since the onset of the global crisis in a number of countries. The increase in rates of mental illness, abuse, and suicides incidents in Egypt, Japan, Latvia, South Africa, and the United States, labor migration in response to the crisis and reported increase in the incidence of child abandonment bear a clear testimony to the fact and signs of deterioration in social and family cohesion. Even there is prevalence of depression in India, Indonesia, Pakistan, South Africa, and Thailand.

The Economist magazine from result of economic indicators, viz. nominal GDP, real per capita GDP, and private consumption and income indicators viz.real wages and unemployment rate computed a measure of "lost time" and showed that advanced economies have lost more than a decade of wealth, income and employment: Greece lost more than 12 years, Ireland, Italy, Portugal and Spain by 7-9 years, the United Kingdom went back 8 years, and the United States a decade. The overall measure of lost time shows that the peripheral European countries that have been hardest hit by the global financial crisis.

POLICY IMPLICATIONS

The Euro zone crisis is a key moment for the European Union as a whole, coming immediately after the global financial crisis, given the ramifications for member states, and that the continued existence of the EU was thrown into doubt by media commentators at least until the beginning of 2013. The Euro zone crisis imposes yet a further social burden upon the Mediterranean economies (and the majority of their respective citizens) and renders visible the gap in economic and political power between them and the affluent Western European nation-states. Whereas the origins of the crisis resided in the sovereign debt of Greece, the accumulation of previously unthinkable Mediterranean debt was not only caused by private sector exhortations and the interests of an economically booming Germany, but also by having to pay for the earlier and indisputably related global financial crisis. Finally, the European Union's singular response to the Euro zone crisis is a disappointing one, compared with those of the member states' own banks. The European Central Bank (ECB) lacks 'weight', owing to its historical constitutional weakness, while the actual situation shows lack of an effective, centralized financial authority.

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Bad social and economic outcomes from the crisis step in owing to the low provision of very essential goods and services. As a result the governments of the crisis- affected countries have undertaken measures to cut vigorous public spending. Labour market is so badly affected by the crisis that those job–seekers find it difficult to have jobs in the labour markets as austerity programs made by government that often involved direct cutbacks or freezes in employment and wages is in force.

A number of policy implications that follow the above discussions are the following:

- There is no denying the fact the crisis-ridden countries' social structure; also its well-being has been severely distorted. Individuals, societies, and governments should prepare for adverse potential consequences of financial shocks and fight for taming the shocks;
- Adverse effect of crisis on people should have to be minimized by the public sector taking into account that no social –harming policies are taken under no circumstances. Always social safety nets policies and programs are to be launched for the poor and vulnerable.

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ENDNOTES

[1] Subprime mortgages are those made to borrowers with poor credit histories and financial profiles.

[2] Eurozone: (also known as 'Euro land'): The Euro zone consists of 19 member countries like Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxemburg, the Netherlands, Portugal, Spain, Greece, Cyprus, Malta, Slovenia, Slovakia, Lithuania, Estonia and Latvia. The other nine members of the European Union continue to use their own national currencies. The Euro zone crisis initially stated from Greece and spread to other member countries is identified with the closest proximity of sovereign debt crisis. A debt crisis even in small peripheral economies can affect the whole monetary system given that the euro's financial system is highly integrated.

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[3] Sovereign debt: It refers to the amount of money that country owes to the holders of its government bond. Debts defaulting make a tremendous pressure on banks and the banks become technically insolvent. Sovereign debt is so called because many of the loans were made to governments or guaranteed by governments. The sovereign debt crisis has exposed the limitation of the euro zone's governance and policy framework; it also has threatened the political fundamentals of the currency union.

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Chapter 74
Perception of Corporate Social Responsibility by the Employees: Evidence from Slovenia

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ABSTRACT

The main purpose of this chapter is to examine the relationships between three underlying aspects of Corporate Social Responsibility (CSR), namely economic, environmental, and societal aspects, and the level of CSR, as perceived by the employees. The strength and direction of the impact of a single underlying aspect of CSR, on the level of CSR in organizations, is examined through a sample of 288 employees in Slovenian organizations. Results from the empirical survey suggest that employees' higher concern for environmental and social issues increases the level of organizational CSR, while higher striving for solely economic outcomes lowers the level of organizational CSR. Findings in this chapter provide insight into the state of CSR in organizations as perceived by the employees, providing an important starting point for definition or re-thinking of strategies in relation to CSR, and as a starting point for other actions as well, like changes in academia.

INTRODUCTION

Over decades various initiatives to preserve the environment for future generations emerged (Dunlap & Mertig, 1990; Elkington, 2004). These initiatives have been used in different forms and shapes. In the literature are examined under different names, like triple bottom line (Elkington, 2004), CSR (Foote, Gaffney, & Evans, 2010), social responsibility (Blackburn, 2007; Potocan, Mulej, & Nedelko, 2013), Agenda 21 (Bullard, 1998), sustainable development (Beckerman, 1994), and sustainability (Clayton

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& Radcliffe, 1996). Recently, and in the academic sphere increased attention has been directed towards the issues related to the sustainability (e.g., plethora of scholarly articles, books) as well as among practitioners (Baumgartner & Ebner, 2010; Foote et al., 2010; Ubius & Alas, 2012). This is reflected in the rising importance of CSR in business, since CSR has become an important part of everyday business, especially in well developed economies, where the striving seems to be more towards sustainability, rather than in catching up economies.

Sustainability refers to the balance among economic, social, and environmental sustainability (Dunphy, Benveniste, Griffiths, & Sutton, 2000; Elkington, 2004). It is a holistic concept, emphasizing that none of the development goals of economic growth, social well-being, and the wise use of natural resources can be reached without considering and affecting the other two (Beckerman, 1994; Clayton & Radcliffe, 1996). Organizations with their actions and behavior importantly influence on natural and social environment (e.g. depletion of the resources, pollution) or often cause (or at least trigger) different misconduct. In that framework, the focus of the literature is to study/examine sustainability issues at the organizational level (Beckerman, 1994). In last decades there has been several well-known examples of different kind of misconducts, in terms of natural and social environment, as well as financial abuses (Valentine & Fleischman, 2008).

The mainstream literature about CSR provides many theoretical and empirical investigations of sustainability aspects, mainly focusing on one or two out of three key underlying aspects of sustainability. In terms of focusing on one aspect primarily consider the environmental aspect (Karp, 1996; Schultz & Zelezny, 1999; Schultz, 2001; Dietz, Fitzgerald, & Shwom, 2005), while researching solely the economic or social aspect, in the context of sustainability, is rare. Considering the two-aspect studies, those dealing with both environmental and economic aspects of sustainability prevail (Munda, 1997), frequently discussing the justification of sustainability in terms of financial criterions, like return on investments, return on assets (Agle, Mitchell, & Sonnenfeld, 1999; Agle, Nagarajan, Sonnenfeld, & Srinivasan, 2006). Meanwhile, few studies research linkages between social and other aspects of sustainability or all aspects of sustainability (Ciegis, Ramanauskiene, & Martinkus, 2009; Udo & Jansson, 2009; Potocan et al., 2013).

Focusing on the single aspect of sustainability or linkages between two out of three building blocks of sustainability fails to capture more accurate and holistic picture about the impact of different sustainability aspects on the level of organizational sustainability. The lack of empirical evidences about the relationships between economic, environmental and social aspects of CSR and the level of organizational sustainability motivates us to examine these relations. Furthermore, these issues are especially underexamined in emerging economies in Central and East part of the Europe.

In terms of sustainability, management in organizations faces a trade-off between pursuing economical, environmental, and societal goals (Agle et al., 1999; Vitell & Hidalgo, 2006; Godos-Diez, Fernandez-Gago, & Martinez-Campillo, 2011). Due to the high importance of incorporation of sustainability principles in organizational practices, is in nowadays business environment main question related to the actual state or level of organizational sustainability as well as employee's perception of different sustainability aspects. Employee's perception of CSR is important, since employee's at higher managerial positions in organizations importantly influence on organizational directions, thorough developing and implementing different strategies (Ajzen & Fishbein, 1980; Kreitner, Kinicki, & Buelens, 2002; Roccas, Sagiv, Schwartz, & Knafo, 2002; Smith, Peterson, & Schwartz, 2002; Mullins, 2006). For the purpose of this chapter we presuppose that employee's perceptions reflects relatively well in their

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behavior, since employees' behavior in organizations is driven by plethora of interrelated factors (e.g., stakeholder requirements, shareholders claims, economic conditions, organizational culture, personal values, perceptions, personal situation, etc.) (Hersey & Blanchard, 1977; Agle et al., 1999; Kreitner et al., 2002; Smith et al., 2002; Mullins, 2006).

According to the above outlined cognitions, we examine in this chapter the relations between different aspects of CSR and the level organizational sustainability, with the aim to empirically determine the strength and direction of the relations. With proposed approach, this paper upgrades in the literature partial theoretical and empirical discussions about the "isolated" impact of each dimension of the CSR, mainly discussed and/or considered on organizational level. Such approach enables more accurate prediction of the impact of three underlying aspects of CSR on the level of organizational sustainability, since the impact of thee aspects on the level of CSR is assessed simultaneously. This reveals how different underlying CSR aspects shape and influence sustainability of the organization.

Results of this study could serve as an important starting point for managers and policy makers in organizations, when developing future steps in terms of broader sustainability and different appearances forms, especially CSR. In that frame actual state of various aspects are outlined as well as their influence on the level of organizational sustainability. Accordingly, management in organizations can adjust their decisions, in order to strongly influence on desired aspects of CSR. These findings could be also useful for academia for "refreshing" their classes, containing sustainability and especially CSR content.

According to the above outlined starting points the chapter has following structure. In frame of literature review section we outline basic definitions for understanding CSR concept and linkages between three aspects of CSR and the level of CSR. This section ends with three postulated hypotheses. Empirical part of paper first introduces sample characteristics, used questionnaire and research procedure with used methods. Next we present results and decisions about hypotheses testing. Last paragraphs of this chapter are dedicated to the discussion of obtained results, emphasizing possible practical implications, while also addressing some limitations of this paper.

LITERATURE REVIEW

Organizations nowadays highly competitive and global economy needs to be highly competitive and hence innovative (Collins & Porras, 2002; Skarzynski & Gibson, 2008; Alas, Elenurm, & Tafel-Viia, 2010). Latest data and trends indicate that modern enterprises tend to holistically satisfy legal, market, stakeholder, and environmental requirements with their internal and external actions (Agle et al., 2006; Schermerhorn, 2008).

The existence and future development of organizations in severe business environment importantly depends on their ability to achieve important aims as well as better understand behaviors and the ways to meet environmental, ethical and social requirements, besides striving for satisfactory economic results (Furrer et al., 2010; Godos-Diez et al., 2011; Potocan et al., 2013).

There have been several discussions among academics and practitioners regarding the level of organizational involvement in CSR activities (Beckerman, 1994; Mitchell, Agle, & Wood, 1997; Agle et al., 2006; Dima, Vasilache, Ghinea, & Agoston, 2013). Major arguments for organizations to perform CSR activities are related to (Certo & Certo, 2009):

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1. The fact that organizations have significant impact on such critical issues as environmental pollution, influencing quality of people in neighborhood of organizational premises,
2. The fact that organizations are open system, thus they should listen to what must be done to sustain or improve social welfare,
3. Severe depletion of natural resources, increased social problems, and greed for profits, in last decades, and
4. Increased role and importance of national legislation, European Union legislation, activist groups, non-governmental organizations, customers, etc., for sustainable development.

Based on above outlined theoretical cognitions and our own experiences in business practice, we argue that the modern enterprise develops as an entity consisting of economic, ecological, social, and ethical goals. In terms of goals, thus organization try to achieve profitability, reducing the impact on the environment (e.g. investing in modern or greener technology), improving corporate reputation (e.g. donations, sponsoring) and behave ethically (to the employees and outer environment), as well as an entity for all goals in synergy for its business.

Sustainability and CSR

Recently the topic about sustainability has become prevalent in literature as well as in business practice, where could be found under different names/appearances forms, like CSR, corporate sustainability (Baumgartner & Ebner, 2010). Sustainability is a holistic concept, but the vision that none of the development goals of economic growth, social wellbeing and a wise use of natural resources, can be reached without considering and effecting the other two, got widely accepted (Landrum & Edwards, 2009). John Elkington (2004) developed this notion into the 'triple bottom line' or 'Triple-P (People, Planet, Profit)' concept. Sustainability is about the balance or harmony between economic sustainability, social sustainability and environmental sustainability.

Sustainability encompasses much more than just balancing profit with people and planet aspects, based on the concepts and standards of sustainability, developed through last decades. According to the findings of different authors a number of key elements or principles of sustainability can be derived, namely (Beckerman, 1994; Clayton & Radcliffe, 1996; Munda, 1997; Dunphy et al., 2000; Hitcock & Willard, 2009; Baumgartner & Ebner, 2010):

1. Sustainability is about balancing or harmonizing the social environmental and economical interests. In order to contribute to sustainable development, a company should satisfy all 'three pillars' of sustainability: social, environmental, and economic;
2. Sustainability is about both short and long term orientation. A sustainable company should consider long-term consequences of their actions, and not only focus on short-term gains;
3. Sustainability is about local and global orientation. The increasing globalization of economies affects the geographical area that organizations influence. The behavior and actions of organizations therefore have an effect on economical, social and environmental aspects, both locally and globally; and
4. Sustainability is about consuming income, not capital. Sustainability implies that the natural capital remains intact.

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This means that the extraction of renewable resources should not exceed the rate at which they are renewed, and the absorptive capacity of the environment to assimilate waste, should not be exceeded.

Furthermore, sustainability is about transparency and accountability (Cancer & Mulej, 2009). The principle of transparency implies that an organization is open about its policies, decisions and actions, including the environmental and social effects of those actions and policies, to stakeholders that could be interested in or affected by these actions. The principle of accountability implies that an organization accepts responsibility for its policies (e.g. dedication to support sport; commitment to contribute to the repairing local roads, due to the activities of organization), decisions and actions, and is willing to be held accountable for these.

Sustainability is also about personal values and ethics. Sustainable development is inevitably normative concept, reflecting values and ethical considerations of the society. Thus, importance of societal values could reflect national policies; while employees also in their sustainable behavior in organizations. For instance, for those employees, for which for preservation of natural environment is highly important, will give more attention to this issues also in terms of his/her behavior in organization (Potocan et al., 2013). Part of the change needed for a more sustainable development, will therefore also be the implicit or explicit set of values that project management professionals, business leaders or consumers have and that influence or lead their behavior.

The concept of sustainability has often slightly different meaning to different people (e.g., authors in environmental management, general management, organizational behavior). Authors in management literature often refer to concept of sustainability in terms of social responsibility or CSR. For instance, Certo and Certo (2009, p. 79) the managerial obligation to take actions that protects and improves both, the welfare of society as whole and the interests of organization. While Schermerhorn (2008, p. 44) defines CSR as the obligation of organization to serve its own interests and those of society. Based on these examples of understanding CSR, by management authors, it is evident that social and environmental issues are often treated in frame of society, e.g. external organizational environment as a whole. While on the other hand, mainstream of the literature about the sustainability, always emphasize three interrelated underlying aspect of sustainability (Clayton & Radcliffe, 1996; Cancer & Mulej, 2009).

Reviewing the management literature on CSR can show the following evidence:

- With CSR enterprises try to balance the economic, environmental, and social goals of their business (Peet & Hartwick, 2009; Kira & van Eijnatten, 2011).
- CSR helps enterprises match requirements related to: efficiency X technical and commercial quality X flexibility X innovativeness X holism and wholeness of business (Mullins, 2006; Waddock & Bodwell, 2007).
- CSR authors originate their work from environmental paradigm (Dunlap & Van Liere, 1978; Dunlap & Mertig, 1990), and CSR paradigm (Elkington, 2004).
- CSR covers areas of: governance, management and organization, human rights, labor relations, natural environment, fair business practices, consumer issues, and relations to community (Elkington, 2004; Ralston et al., 2011).
- CSR requires values of: accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, and respect for human rights (Kira & van Eijnatten, 2011).

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An overview of acknowledged prior studies about different aspects of sustainability (Axelrod & Lehman, 1993; Stern, 2000; Schultz, 2001; Kemmelmeier, Krol, & Kim, 2002) reveals that the majority of previous examinations as well as the measures taken by businesses, focus primarily on the environmental dimension of sustainability and therefore fail to acknowledge the holistic principle of sustainable development (Clayton & Radcliffe, 1996; Ketola, 2008). Several authors (Clayton & Radcliffe, 1996; Elkington, 2004; Potocan et al., 2013) argued, that the socio-cultural, environmental and economic realms are interdependent and the aim of a sustainably managed business should be the optimization of all three.

Table 1 presents important levels for organizational working, the selected levels for the consideration, the selected aspects of consideration of organizations, and the basic criteria for the evaluation of working and the behavior of organizations in terms of three inter-related aspects of sustainability (Elkington, 2004; Cancer & Mulej, 2009; Potocan et al., 2013).

In literature prevails papers, researches, studies, and discussions dealing with environmental issues (Schultz & Zelezny, 1999; Kemmelmeier et al., 2002; Spash, 2006), while society and economic aspects are not in the centre of attention (Munda, 1997; Cirnu & Kuralt, 2013). Thus, environmental surveys identified important factors which influence pro-environmental behavior (Axelrod & Lehman, 1993; Kemmelmeier et al., 2002; Hemingway, 2005). Examinations of the linkage between economic aspects and sustainability were mainly disused in terms of justification of sustainability (Agle et al., 1999; Hammann, Habisch, & Pechlaner, 2009). While there is a shortage of studies researching linkages between social aspect and sustainability (Sarotar-Zizek, Strukelj, & Mulej, 2011; Cirnu & Kuralt, 2013).

Besides knowing the state regarding different sustainability aspects, in order to capture the holistic picture, also the relationships between different aspects of CSR and the level of organizational CSR should be addressed. An overview of the literature investigations and business practices, offers us different solutions for researching the relationships between organizations, employee's perceptions and different aspects of CSR.

Postulated Hypotheses

The literature provides some partial answers, about comprehensive consideration of all CSR aspects (Munda, 1997; Udo & Jansson, 2009). Looking from the viewpoint of relations between different aspects of CSR and the level of CSR in organizational environment, there are prevailing theoretical assumptions about the negative impact of striving for economics results on concerning for social and natural environ-

Table 1. The holistic consideration of working and the behavior of organizations

Criteria by Levels: Selected Aspects	Individual Performance Criterion	Corporate Performance Criterion	Societal Performance Criterion	Global Performance Criterion
Economic Imperative	Individual prosperity	Corporate profitability	Societal wealth	Global wealth
Ecological Imperative	Individual eco-efficiency	Corporate eco-efficiency	Societal eco-efficiency	Global eco-efficiency
Social Imperative	Individual quality of life/ well-being	Corporate reputation	Societal quality of life	Global quality of life
All aspects in synergy	Individual well-being and sustainable life index	Corporate sustainable working/behavior index	Societal sustainable development index	Global sustainable development index

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ment (Friedman, 1962; Daft, 2000; Foote et al., 2010). Based on the findings of Friedman (1962), about negative association between economic results on one hand and achieving social and environmental goals on the other hand, management authors (Daft, 2000; Schermerhorn, 2008), and the underlying idea of CSR, it can be presupposed that the economic aspect is negatively associated with the other two aspects (i.e., environmental and societal) and vice versa. These relations reflect typical trade-off in management decision making between goals aimed to earning profits and dedicating money for reaching goals beyond economic results (Vroom & Yetton, 1973; Daft, 2000). For instance, in current economic conditions this means that management reconsiders expenses for social and environmental goals (e.g. cutting money for sponsorship), but they are often limited with regulation (e.g. environmental law).

Despite these, mainly theoretical findings, literature does not offer us abundant empirical evidences, especially in emerging economies in Central and East part of Europe. Furthermore, there is often also natural or self-evident understanding about relations between CSR aspects and the level of CSR, considered as a single entity. The lack of empirical evidences regarding the relationships between CSR aspects motivates us to examine the interplay between underlying aspects of CSR and the level of organizational CSR, based on employees' perception of ecological, environmental, and societal aspect (Stern & Dietz, 1994; Cirnu & Kuralt, 2013). We assume that giving priority to the economic aspect (over other two) lowers the level of organizational CSR, as perceived by employees, whereas giving more priority to environmental and societal (over economics) aspect increases the level of organizational CSR, as perceived by employees. Employee's perception of the CSR level represents a foundation for their behavior in organizations regarding issues tackling CSR and its underlying aspects (Ajzen & Fishbein, 1980).

Employee's orientation toward different issues is often examined using concept of people's attitudes. Also in frame of examining people's perception of different aspect of CSR, examination of employee's attitudes is very common and well accepted approach (Schultz & Zelezny, 1999; Kemmelmeier et al., 2002; Ralston et al., 2011; Dabic, Potocan, Nedelko, & Morgan, 2013).

For the purpose of this chapter we identified three underlying aspects of CSR as follows. We understand:

1. Concern for economic results, as employee's striving only for economic benefits, without taking into accounts other two aspects of sustainability. This may results in neglecting or ignoring other two aspects (Munda, 1997; Daft, 2000; Ralston et al., 2011);
2. Concern for environmental issues as actions aimed to prevent environmental degradation, depletion of resources, and minimization of human impact on the natural environment (Common, Blamey, & Norton, 1993; Sarre, 1995; Spash, 2006; Malheiros, Phlippi, & Coutinho, 2008), and
3. Concern for social environment as actions aimed to actively contribute to the solving society problems and enhancement of the community welfare (Dunphy et al., 2000; Ciegis et al., 2009; Ralston et al., 2011).

Based on above presented findings our main focus is to provide evidence about the relations between different aspects of CSR and the level of CSR, considered as a single entity. CSR is considered as one entity – that expresses the level of CSR. In that framework, the level of organizational CSR can be framed on a interval, ranging from the low level of CSR to the high level of CSR (Potocan et al., 2013).

According to the above proposed framework for understanding the relations between three aspects of CSR and the level of CSR, the main question is what are the strength and direction of the outlined relations. Thus, we are looking for the answer, how does single underlying aspect of CSR influence on

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level of CSR, based on the employee's perception. In line with above outlined cognitions and assumptions, we formulated following hypotheses, to be tested, namely:

Hypothesis 1: A higher concern for the economic results lowers overall level of CSR in organizations, as perceived by employees.
Hypothesis 2: A higher concern for the environmental issues increases overall level of CSR in organizations, as perceived by employees.
Hypothesis 3: A higher concern for the social issues increases overall level of CSR in organizations, as perceived by employees.

Next we outline research design and methodology.

RESEARCH DESIGN AND METHODOLOGY

Sample and Data

The survey was done during winter semester of academic year 2012/2013, at University of Maribor, Faculty of Economics and Business, Slovenia. Participants in the survey were enrolled master students and their parents. A link to the online survey was given to the students, which forwarded the link to their parents. Approximately 90 percent of the targeted parent's population responded. All participants participated voluntarily. For this paper we used 288 answers from student's parents. Every selected adult in this survey was employed at the time of conducting the survey.

Main demographic characteristics of the sample are. The average age of participants is 48.64 years, and they have on average 25.54 years of working experiences. In terms of gender, 47.2% were males and 52.8% were female participants. In terms of highest achieved education, 9.7% participants did not finished primary school, 11.5% have finished primary school, 43.1% have finished high school, 33.3% have obtained bachelor degree, while only 2.1% obtained master degree and 0.3% have obtained doctorate degree. Regarding participants position in organization, 67.6% of participants are non-supervisory staff, while 32.4% participants hold managerial position at various levels (12.5% in low, 14.6% in middle and 5.3% in top management). In terms of organization size, 54.8% of participants is employed in organizations having less than 100 employees, 31.9% of organizations have between 100 and 1,000 employees, while 13.3% of employees work in organizations having more than 1,000 employees.

Instrument Used

Based on outlined cognitions it is evident that CSR is a multidimensional construct, consisting of three interrelated aspects (Singhapakdi, Vitell, Rallapalli, & Kraft, 1996; Elkington, 2004). For our research of employees' perceptions of three aspects of CSR and relations toward the level of CSR in organizations, we adopted validated questionnaire aimed to measure employee's personal values, attitudes toward promotion, and employee's attitudes towards CSR aspects (Ralston, Gustafson, Cheung, & Terpstra, 1993; Egri & Herman, 2000; Ralston et al., 2011; Potocan et al., 2013) in different cultural settings. In line with purpose of this chapter, we considered answers from third part of questionnaire, which deals with CSR aspects and includes 25 statements about CSR aspects. These statements express possible activities

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that organizations can engage in. An example of statement is "I believe it is the duty of an organization to worry first and foremost about maximizing profits". In that framework respondents in survey express their views about 25 statements, regarding different duties of organizations, in terms of CSR. For each statement, a 9-point scale is used, ranging from 1 – strongly agree to 9 – strongly disagree.

In order to identify possible underlying aspects of CSR, e.g. concern for environment, concern for economic results, and concern for society, a factor analysis was utilized. Based on entering 25 items aimed to measure CSR (KMO = 0.870; sig. = .000), after varimax rotation, we built three factors, namely:

- Concern for environment,
- Concern for economic results, and
- Concern for society.

According to results of factorial analysis, that emphasized possible factors, and several conduced reliability analyses, we used following measurement of single aspect of CSR. From initial 25 items in questionnaire, we used for building constructs 12 items, which in reliable manner express three underlying aspects of CSR.

The items used to measure concern for the environment were:

- Prevent environmental degradation caused by the pollution and depletion of natural resources (EN 1);
- Adopt formal programs to minimize the harmful impacts that organizational activities have on the environment (EN 2); and
- Minimize the environmental impacts of all organizational activities (EN 3).

(Dunlap & Van Liere, 1978; Thomas & Griffin, 1996; Cordano, Welcomer, Scherer, Pradenas, & Parada, 2011) Cronbach's α for this scale was 0.732.

The items used to measure the primary concern for economic results (over other aspects of CSR; e.g., society and the environment) were:

- Worry first and foremost about maximizing profits (EC 1),
- Bring down labor costs to a strict minimum (EC 2),
- Taking into consideration environmental issues when jobs are at stake (EC 3); and
- Always be concerned fist about economic performance (EC 4).

(Kemmelmeier et al., 2002; Blackburn, 2007; Foote et al., 2010) Cronbach's α for this scale was 0.609.

The items used to measure concern for social environment were:

- Contribute actively to the welfare of the community (SO 1),
- Help solve social problems (SO 2), and
- Play a role in society that goes beyond the mere generation of the profits (SO 3).

(Blackburn, 2007; Shafer, Fukukawa, & Lee, 2007; Valentine & Fleischman, 2008) Cronbach's α for this scale was 0.669.

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Comparable researches about the level of environmental concern (Alibeli & Johnson, 2009) illustrates Cronbach's α coefficient falling between 0.539 and 0.572 for considered constructs related to the concern for the environment. Schultz and Zelezny (1999) reported a Cronbach's α coefficient between 0.47 and 0.81; after modification, the reliability coefficient for all 14 nations in the sample was 0.70. In this field of research authors (see for example Nordlund & Garvill, 2002), reported similar values of Cronbach's α (the lowest $\alpha = 0.52$ and $\alpha = 0.50$, respectively).

In our research the concern for economic results yielded lowest reliability coefficient, in comparison to other two aspects in study. Due to the relatively low achieved reliability, we look at some papers and/or researches that include economic dimension of CSR. For instance, a survey that is also focused on issue regarding justification of CSR in organizations, does not report about reliability coefficients, since accounting-based measures are utilized (e.g. return on assets, return on equity) (Agle et al., 1999). There are also other studies, which do not report about reliability coefficients of economic aspect, due to the nature of the study (Common et al., 1993; Munda, 1997; Ciegis et al., 2009). In our study we examine economic aspect of CSR through the lenses of employee's attitudes towards economic orientation. This means that we asked participants about their attitudes regarding trade-off between concern for economic results and other tow aspects of CSR; e.g., society and the environment). In search for dimensions or constructs aimed to measure "economic orientation" (e.g. how much is important achieving economic profits, regarding to considering also environmental and societal aspect of CSR, we found a research about leadership orientation, where cronbach's α for performance goal orientation was 0.61 (Pastor & Mayo, 2008). According to outlined cognitions about economic dimension of CSR and its empirical measurement, we can conclude that reliability of our proposed dimension of concern for economic results is in acceptable range, according to the prevalent practice in this field.

According to the reliability coefficients in this stream of research we can conclude, that our Cronbach's α values are satisfactory given the exploratory nature of our research.

Research Procedure

As outlined in previous section, we utilized factorial analysis, coupled with reliability analysis in order to identify three underlying aspects of CSR. Both, attitudes towards CSR aspects and level of CSR at organizational level, are as employees perceive them. Our analysis procedures, for testing the relationships, are based on structural equation modeling in AMOS. We developed a research agenda encompassing the relationships between CSR aspects and the level of organizational CSR, as perceived by the employees. Research agenda is depicted in Figure 1.

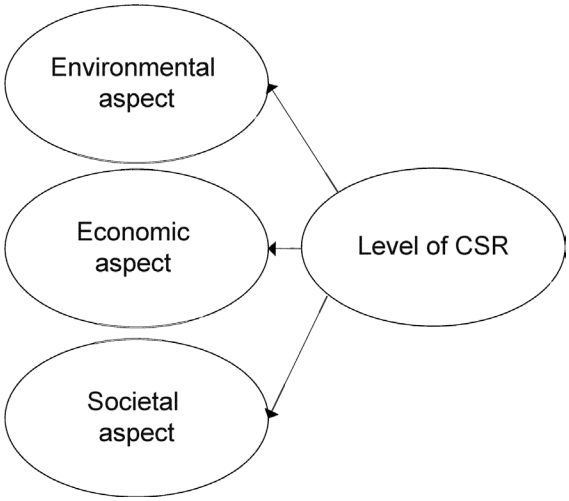
According to proposed research agenda it is evident that CSR rests on three underlying aspects. With proposed research design we emphasize the role (i.e. the strength and the association) of single underlying aspect on the corporate social responsibly. Thus, CSR is considered as a construct, determined with three underlying aspects.

According to this, our research will reveal how different underlying aspects of CSR, determine CSR, which can be defined on a continuum, ranging from low to high level of CSR in the organization.

Proposed relationships between underlying aspects of CSR and the level of CSR, will be examined on the sample of employees in Slovenian organizations. In this scenario, employees will express their attitudes and/or preferences about three aspects of CSR, which according to the proposed research agenda show its influence (i.e., direction and strength) on the level of CSR. We can thus presuppose that the level of CSR could express organizational level of CSR, as perceived by the employees.

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Figure 1. Research agenda for examining the relations between CSR aspects and the level of CSR in organizations



RESULTS AND DISCUSSION

In frame of presenting research results and their discussion, we first outline mean values, followed by the regression coefficients. Mean values for three aspects of CSR, as perceived by the employees, are outlined in Table 2.

From the results above it is evident following. In terms of mean values for three underlying aspects of CSR, it is evident that surveyed employees expressed highest concern for preservation of natural environment, followed by concern for social environment of organization. In comparison to social and

Table 2. Mean values for CSR aspects

CSR Aspect	Mean Value	Std. Deviation
Concern for Environment	**2.52**	**1.38**
Prevent environmental degradation caused by the pollution and depletion of natural resources	2.47	1.85
Adopt formal programs to minimize harmful impact of organizational activities on the environment	2.26	1.49
Minimize the environmental impact of all organizational activities	2.82	1.76
Concern for Economic Results	**5.07**	**1.57**
Worry first and foremost about maximizing profits	3.93	2.31
Bring down labour costs to a strict minimum	4.60	2.68
Taking into consideration environmental issues when jobs are at stake	7.22	2.12
Always be concerned first about economic performance	4.53	2.12
Concern for Social Environment	**3.06**	**1.45**
Contribute actively to the welfare of the community	3.30	1.81
Help solve social problems	2.85	1.92
Play a role in society that goes beyond the mere generation of profits	3.03	1.89

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environment aspects of CSR, concern solely for economic results is not in the forefront. Looking more into details, i.e., focusing on items comprising three aspects of CSR, the most important item for employees is "adoption of formal programs to minimize harmful impact of organizational activities on the environment".

Among most important single items are also "prevent environmental degradation caused by the pollution and depletion of natural resources" and "minimize the environmental impact of all organizational activities", both belonging to the employee's concern for preservation of natural environment. While on the other hand, employees mostly disagree to take into consideration environmental issues, when jobs are in question.

Our findings about higher concern for preservation of natural environment, in comparison to concern for social environment, confirm the dominant role of "concern for natural environment" in frame of empirical researching the concept of sustainability, where environmental issues are most frequently studied (Axelrod & Lehman, 1993; Munda, 1997; Egri & Herman, 2000; Dietz et al., 2005; Spash, 2006; Potocan et al., 2013).

Next we present the regression coefficients concerning the associations between different aspects of CSR and the level of organizational CSR, as perceived by the employees.

According to proposed research design, after the modification of the initially proposed model in AMOS, we achieved satisfactory model fit, regarding to the accepted values in this field of research (Ho, 2006; Byrne, 2010);

χ^2 (N = 288, df = 33) = 96.462, p < 0.000; CFI = 0.911.

Detailed results regarding associations between CSR aspects and the level of CSR in organizations are outlined in Figure 2.

The outlined results in Figure 2 reveal that employee's concern solely for economic results is negatively, moderate and significantly associated with level of organizational CSR ($\beta = -0.48$, $p < .05$). This means, that that with higher employee's concern solely for economic results, the level of organizational CSR decreases. Based on these findings we can support hypothesis 1, which states that a higher concern for the economic results lowers overall level of CSR in organizations, as perceived by employees.

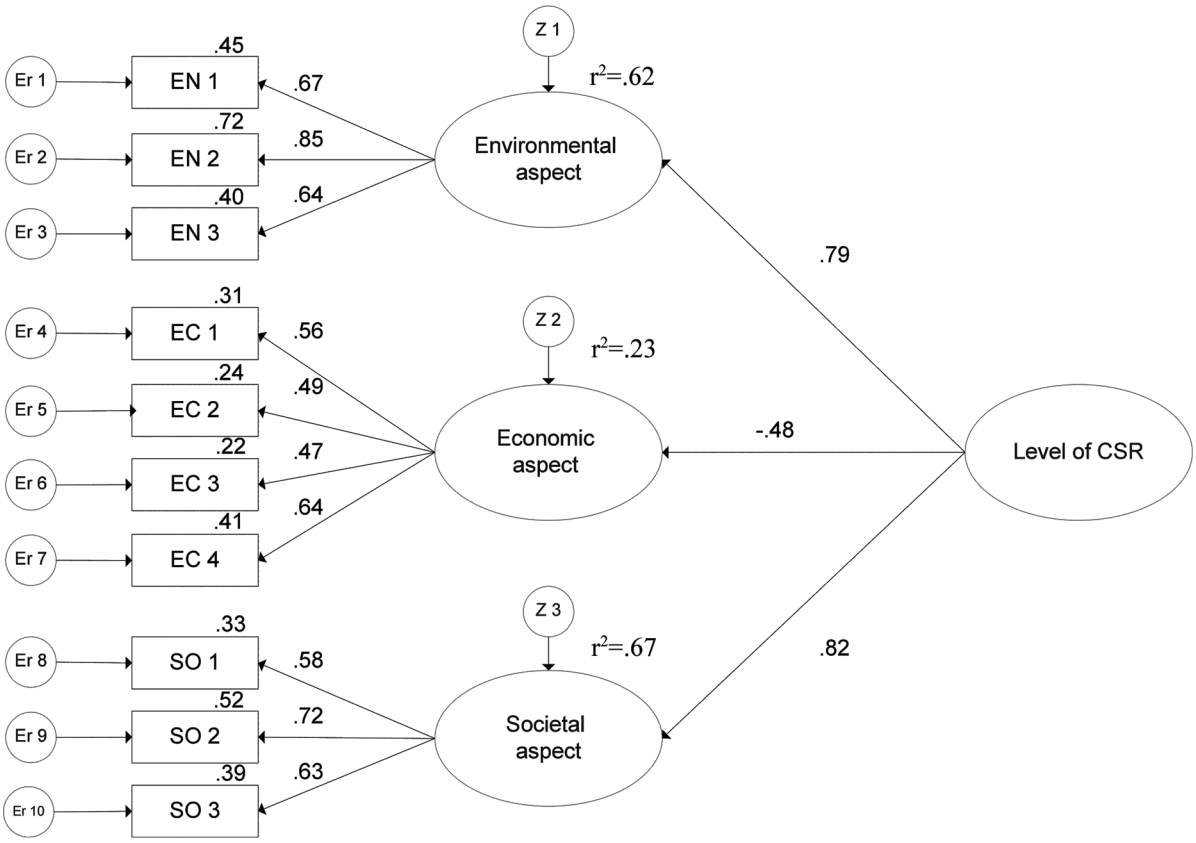
Next, the concern for environment is positively, strong and significantly associated with level of CSR. This mean, that with higher employee's concern for environment, the level of organizational CSR increases. These findings provide support for hypothesis 2 which states that a higher concern for the environmental issues increases overall level of CSR in organizations, as perceived by employees.

Looking at the third relationship, the concern for society ($\beta = 0.82$, $p < .001$) is positively, strong and significantly associated with level of CSR. This mean, that with higher employee's concern for society, the level of organizational CSR increases. These findings provide support for hypothesis 3 which states that a higher concern for the social issues increases overall level of CSR in organizations, as perceived by employees.

Obtained results, about the association between three underlying aspects of CSR and the level of CSR in organizations, reflect prior findings about these associations. First, our results are in line with cognitions about positive association between social and environmental aspect with level of organizational CSR (Common et al., 1993; Singhapakdi et al., 1996; Egri & Herman, 2000; Schultz, 2001; Spash, 2006; Hards, 2011). Second, prior theoretical and empirical evidences, confirm the negative impact of solely striving for economic results on lowering level of CSR (Friedman, 1962; Daft, 2000; Foote et

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Figure 2. Results about associations between CSR aspect and the level of CSR in organizations



al., 2010). Thus, we can generally as well as for our sample, conclude, that these relations reflect typical situation in management decision making process, where managers need to trade-off between goals aimed to earning profits and dedicating money for serving community and protecting the environment. This means, that managers have certain amount of money which they dedicate for different goals; in case no or less money is dedicated to the environmental and societal activities/goals, in turn also the level of organizational CSR is lower.

In terms of explanation power, we can significantly more precisely capture the environmental and social aspect of CSR, than the concern for economic results, with used approach. Studies, that incorporate economic aspect, either use accounting/financial based measures (see for instance Agle et al., 1999; Agle et al., 2006) or do not address this issue. As we outlined throughout the paper, the focus is frequently on environmental issues. Although with lower explanation power, our approach through the lenses of employees' attitudes towards economic orientation, provides reliable measurement.

We can assume that employees in examined sample of Slovenian organizations, understand CSR especially in terms of environmental and social responsibility. Economic concern seems to be "more isolated" from having an impact on the level of CSR, reflecting in lower explanation power and moderate impact, in comparison to relatively strong association of environmental and social aspect to the level of CSR, coupled with relatively good explanation power (i.e., 62 percent and 67 percent, respectively). For such state we can outline following reasons. First, due to the "several unsettled" issues having its roots

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in the process of transitional transformation in organizations (Dyck & Mulej, 1998; Potocan & Mulej, 2007; Nedelko & Potocan, 2013). In such circumstances, there are in the forefront management practices aimed at business optimization (Rigby & Bilodeau, 2009; Rigby, 2011; Dabic et al., 2013). Second, the impact of severe economic conditions in last couple of years could reflects in lowering striving for CSR – especially in terms of environmental and social responsibility. In this scenario, thus primary goals of organizations are related to the survival and mitigation of the impact of economic crisis on organization. Thus, in centre of attention of organizations is concern for economic results, while environmental and social aspects may be neglected. Third, weakest association of economic aspect of CSR on its level, could be attributed to the lower explanation power (i.e. 23 percent) and adopted research approach – i.e. considering attitudes toward economic orientation/concern.

IMPLICATIONS AND RECOMMENDATIONS

In terms of practical implications obtained results can serve as an important guide for decisions and actions in terms of establishing or re-thinking CSR strategy in organizations. Knowing most important actions appreciated by employees, that can contribute to the increased level of organizational level of CSR, enable organizations to focus on those employee's attitudes. This is possible with incorporating actions that reflects favorable employee's actions into organizational policies and especially standardized operating procedures. In such way organizations can actively manage, contribute and strive towards higher level of CSR, since organizational policy execution is based on those attitudes that are highly appreciated by the employee's.

But, boosting and putting forward actions that reflect favorable employee's attitudes toward CSR, especially social and natural employee's attitudes are not enough. Since sustainability is in contemporary business environment is a holistic concept comprising of three underlying aspects, also viewpoint of economic results must be taken into consideration. Due to the perceived negative impact of striving for economics results on level of organizational CSR, managers in organizations also need to make decisions about how to eliminate or at least mitigate the impact of concern solely for economics results on the level of organizational CSR.

Issues about equally balancing between economic, environmental, and social goals in current economic conditions is very challenging issue for managers, since top priorities in organizations are related to their survival and/or assurance or boosting again a stable growth of business (e.g., increasing sale; reducing layoffs) (Smith & Langford, 2011). At first glance, in such scenario it would be reasonable that issues about environmental and social concern could be putted into the back, since in business practice is hard to justify for instance cutting the expenses for labor and laying off employees, but still giving organizational money for environmental and social actions. But this trade-off is in business practice much more complex, than just a simple trade of decision, since decisions about environmental and social actions (done by organizations) are often legally binding, e.g. obeying the legislation, obtained certificate.

In practice, managers can devote fewer amounts of organizational funds to the environmental and social issues, but their actions still needs to be in accordance with the legislation. From a practical viewpoint, if organization goes well beyond just minimally fulfilling environmental requirements, it has a lot of space to adjust their policy. But when organizations doing reactively, so doing only what is obliged by the law, they have limited space for changing decisions about spending money for environmental issues. Looking generally, organizational decisions or aims about devoting less money for preserving natural

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environment in contemporary economy are not a real option, due the high pressure for preservation of natural environment for various sources (e.g. national legislation, European Union legislation, activist groups, non-governmental organizations, customers, etc.).

The possible variability of organizational expenses related to its CSR, can be higher for social issues than environmental issues. But also here can managers have some limitations, especially due to the organizational dedication for social actions, like supporting successful athletes and sport clubs, giving money to charity institutions, etc. Managers have even less space to change policy regarding social issues when organizations have certificates for defined social issue. For instance, such example can be obtained family friendly enterprise certificate, which represent one of the various possibilities of a socially responsible action of an organization. Obtained certificate certifies that organization more effectively balance professional and private life of employees, in areas of working time, service for families, dual-career couples, etc. Since the key importance is adherence to the standards (provided with the certificate), managers cannot, for instance, radically change these policies or reduce expenses for these issues if organizations still want to have a certificate (FFEC, 2013).

We can conclude, that given picture about positive contribution of environmental and social attitudes, and negative impact of striving solely for economics profits, on level of organizational level of CSR can be used broader.

In terms of using findings outside business organizations, our findings can be useful also for organizations in public administration. Those organizations also need to rethink or establish their policies regarding achieving higher levels of CSR. Thus, results about actual state of employee's attitudes about underlying aspects of CSR can be used for reshaping or establishing CSR policies (Fiorino, 2010; Rodic, Vukovic, Zavrsnik, & Miglic, 2012).

Results may be also useful for academia (McDonald, 2004; Khan, 2013). Knowing actual state of employee's attitudes toward CSR aspects can be used for making decisions about the content of classes related to the CSR, like classes about business ethics and CSR. The main idea can be to put more focus on raising student awareness about the importance of preserving natural environment and increased concern for social environment in modern society. Important issue to address is also related to the understanding of CSR, which is currently more understand as being comprised of environmental and social aspect. On the other hand, issues regarding balancing between economic, social, and environmental goals should be more intensively addressed due to the increased striving for economic benefits and greed (Potočan & Mulej, 2007; Potocan, Mulej, & Cancer, 2008). Giving more attention to these issues in education system could improve overall picture about perception and awareness about sustainability and/or CSR among citizens.

Findings in this contribution can also be useful for new investors, strategic partners, or multinationals which want to establish their business in Slovenia or just re-aligning their policies within local subsidiaries. Knowing actual state of employee's perception of CSR, thus enable them to identify gaps and obstacles for implementation of their policies in local subsidiaries.

LIMITATIONS AND FUTURE RESEARCH DIRECTION

In terms of limitations, we can emphasize following limitations. First, small sample size, but it is still enough for making relevant conclusions. Second, limited number of items used for studying underlying aspects of CSR used in the survey, since adopted well-known instrument encompasses only 25 possible

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items for measuring CSR aspects. Third, a survey is done in time of economic downturn in Slovenia, which could have some impact of perception of CSR attitudes by employees as well as actions of managers. Fourth, in this paper, we do not empirically examine the level of CSR; rather the mentioned concept is considered as one general entity that expresses CSR. Thus, the level of CSR is considered as single second-order factor of CSR, based on the suggestion to build relations among variables in structural equation modeling (Byrne, 2010). In this case, the level of CSR is not empirically examined, rather assumptions are made on three underlying aspects. Our assumptions about level of CSR are based on the direction and strength of the three underlying aspects of defined level of CSR.

In terms of possible future research directions we can emphasize most probable ways. Due to the severe current economic conditions there should be an examination of the possible impact of economic downturn on the perception of different aspect of CSR by employees, as well as the level of organizational CSR. Next, the study can be expanded to the areas (e.g., regions, countries) having different economic, social, and cultural background, with aim of later comparison of the results.

CONCLUSION

In this paper we examined the association between three underlying aspects of CSR and the level of organizational CSR, as perceived by employees, on sample of Slovenian employees. The pattern of results suggest that employee's high concern for environmental and social issues reflect in higher level of organizational CSR, while higher striving solely for economic concern decreases organizational level of CSR, as perceived by the employee's. Knowing actual state of employee's attitudes toward CSR is important in nowadays business environment where there is increasing striving for enhancing CSR of different entities. Thus, our findings are useful for designing or re-thinking policies and actions related to the CSR issues in business organizations. Furthermore, these findings could also serve as crucial starting point for implementing of CSR concept into public administration organizations, where the striving for CSR is lower than in business sphere. Looking from the perspective of education sphere in emerging Central and East Europe country, academia could enhance holistic understanding of CSR concept, as a entity in which also economic concern plays an important role. These findings can be found useful also for other counties in this area, sharing common history and problems, but with critical rethinking.

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KEY TERMS AND DEFINITIONS

Attitudes: Someone's perception regarding the objects and/or subject in his/her environment.

Corporate Social Responsibility (CSR): The balance and trade-off between achieving economic, natural and societal aims of an organization.

CSR Level: Defined on a interval, ranging from low to high level of CSR in the organization.

Economic Concern: Reflects employee's striving only for economic benefits, without taking into accounts other two aspects of sustainability. This may results in neglecting or ignoring other two aspects.

Employee's Attitudes: How employees perceive different issues or what their attitudes are toward different aspects, viewpoints, etc.

Environmental Concern: Encompasses actions aimed to prevent environmental degradation, depletion of resources, and minimization of human impact on the natural environment.

Social Concern: Actions aimed to actively contribute to the solving society problems and enhancement of the community welfare.

Sustainability: The balance or harmony between economic sustainability, social sustainability, and environmental sustainability.

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Chapter 75
Impact of Local Self-Government Institutions on Creating a Business-Friendly Environment: Multi-Criteria Analysis

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ABSTRACT

The chapter objective is to demonstrate application possibilities of Multi-Criteria Analysis (MCA) in the specific local economic development problem in Serbia that refers to assessment of Local Self-Government (LSG) institutions' capabilities to act in order to create business-friendly environments and increase entrepreneurial activities. The primary aim of the chapter is to formulate an adequate multi-criteria model for evaluation of institutional cooperation between business councils, as representatives of local authorities and the business community in observed LSG units. Results indicate inadequate quality and functionality of the business councils, although cooperation has been established between the business councils, as a local government institution, and representatives of business community. Data analysis is conducted using relevant statistical methods. For multi-criteria analysis of subjective preferences of Local Economic Development (LED) offices has been applied Analitic Hierarchy Process (AHP).

INTRODUCTION

Entrepreneurial activities are very important for inclusion of developing local self-government units into national economy. Therefore, increase of entrepreneurial activities is seen as an opportunity for providing growth in developing LSG. A country representative bodies and institutions have a great role in creating business environment. However, they are not the only ones that should be taking actions and

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making positive environment for business activities. Local governments can also take part in encouraging entrepreneurship and business prosperity. They can create micro climate, which should make their communities recognizable and favourable for entrepreneurs. One of the first steps includes development of local economic strategies and plans with purpose of reducing risks for developing business and creating stable business environment. The chapter summarizes the problems and efforts concerning business environment improvements that local communities in Serbia were facing during the last two decades and the factors that influenced the reduction of business activities (Antic *et al.*, 2013). Local governments in some cities have already realized the importance of local actions and discovering of local comparative advantages for increasing business activities and making better position inside regionally unbalanced Serbian economy (Stankovic *et al*., in press).

Two of the most influential determinants on business activities are business environment and the state and local government bodies' ability to deal with specific problems in creating stable and favorable business environment. Especially in the period of the recent economic crisis these two factors have been analyzed from many different aspects (e.g. Grilli, 2011; Lavric, 2010; Bumgardner *et al.*, 2011; Nicolescu *et al*., 2011). Similar conclusions can be found in research conducted by Ciocarlan-Chitucea and Popescu (2010), Norwood (2011), Dunkelberg and Wade (2012) as well as Nicolescu and Nicolescu (2013). The main conclusions of all mentioned scientific papers and studies refer to the multiple influence of the business environment on the business activities and the crucial role of the state institutions in developing and enabling business environment.

Some other studies show that local governments are likely the primary policy makers and regulators that entrepreneurs and small businesses encounter (McFarland *et al.*, 2010). Unfortunately, many local governments do not know the impact of their efforts or what their most effective roles should be. Too often, local regulations can unknowingly create institutional and bureaucratic barriers that impede development and the speed to market for new businesses (Morris & Brennan, 2003; Roxas *et al*., 2008; Stankovic *et al*., 2013; Stankovic *et al*., 2014). Additionally, while most local governments have policies and programs designed to proactively support entrepreneurs and small businesses, these efforts are not necessarily well suited to meet the needs of the types of small businesses most likely to drive economic growth (McFarland & McConnell, 2011a).

Local self-governments are interacting with business activities via its regulations, policies and communicatory and governance processes, as an important factor in supporting new and small business growth. Regulations affect doing business in a community and good communication between local institutions and business comunity helps establish trust, build supportive policies and provide ways to solve problems (McFarland & McConnell, 2011b).

Governments can, given their powers, have considerable influence over the entrepreneurial process by stifling the efforts of those attempting to start a new business. This may be done through onerous bureaucratic requirements, complex regulations or merely slow reaction to requests for decisions required to form a new business. (Reynolds et al., pp. 447)

The speed, efficiency, and complexity of local regulatory processes are indicators of a local government's responsiveness to the needs of business community.

When it comes to Serbia, the competencies of state institutions and local government institutions vary even more drastically (Stankovic *et al.*, 2013). In fact, due to the high level of centralization, the operational capacity of local institutions in the area of creating a favorable business environment is small.

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On the other hand, previous studies have shown that the business communities are still not perceived by local governments as partners but there is still a distance relationship, where the local authorities are considered as the category of "power" (Stankovic *et al*., 2012). All jurisdictions of local institutions in the field of local economic development are relatively new and have not yet found the right model of action. In this context, this research aims to identify some key issues of operation (in)efficiency of local institutions and thus improve the relationship between the business community and local government.

Since stimulating local economic development is a relatively recent jurisdiction of towns and municipalities, introduced by the Law on local self-government, the towns and municipalities have for some time been practising activities aimed at stimulating local economic growth. These activities are carried out not only within the Offices for local economic development (or, more exactly, organizational authorities of the town or municipal government which in their area deal in businesses of local economic development) but are also practised by other bodies and departments within the framework of organizational structure of the self-government, such as member of the city or municipal council in charge of economy, the council/committee of Municipal Assembly for economy, the strategic planning committee, the committee for planning capital investment, employment council, socio-economic council, etc. Representatives of economy in local self-government bodies have the opportunity to make statements on certain aspects of the local economic development in some of these forums – for instance, local employment councils gather representatives of local self-governments, national employment service, private entrepreneurs, representatives of centres for social work, representative syndicates and non-governmental organizations. However, bearing in mind that these forums (councils, boards or committees) have been founded with the aim of establishing or better functioning of only one part of the local economic framework (employment, education, defining and following development strategies), the role of these economic representatives is limited only to formulating prepositions and initiatives and following already adopted measures referring to a single particular area. In that way, they do not always have motivation or a long term interest in participating and essentially contributing to activities of these bodies.

The chapter points out the main institutions of LSG units in creating business friendly environment and the effects of their actions, measured through quality rate of Business Councils operation. The respondents (LED offices) have been offered a set of functions of Local Business Council and they are asked to express an opinion on their significance for the improvement of the business environment and the level of compliance in the respective local self-government unit. Since this is a heterogeneous criteria, which include a variety of responsibilities of councils, it is possible to form an adequate multi-criteria model and to determinate relative importance of criteria using AHP method. The analysis in the chapter will quantify the subjective perception of LED offices about business council's functionality.

The result of this chapter is to provide statistically analysed data for determination of relevant criteria for evaluation of different functions of LSG bodies used and their functionality at local level for business climate improvement. In addition, as it is already pointed out, by using AHP methodology it is possible to quantify subjective perception of LED offices about importance of certain criterion for business friendly environment. In that context, AHP is used as methodology for weights derivation when the decision maker is a group. Finally, the chapter will present testing of significant differences between the results of the statistical analysis and the subjective perception of LED offices assessed by AHP method. In order to present these analyses and results the chapter contains the following headings:

1. Legal framework of institutional cooperation between local self-government and business community,
2. Research methodology and hypotheses,

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3. Statistical analysis of business council's functionality,
4. Impact of business council activities on business council quality and functionality rating, and
5. Future research directions.

The research presented in the chapter has practical value because it provides information about importance of institutional co-operation between LSG bodies and the business community and it can become valuable guideline for future actions of local self-government authorities in order to increase business friendly environment.

LEGAL FRAMEWORK OF INSTITUTIONAL COOPERATION BETWEEN LOCAL SELF-GOVERNMENT AND BUSINESS COMMUNITY

The Law on Local Self-Government (Official Gazette of Republic of Serbia, No. 129/2007) determines jurisdictions of local self-governments in the area of local economic development as well, which creates a legal basis for local self-governments to actively cooperate with business communities in order to carry out the jurisdictions given. However, this Law does not define obligations or ordered way of institutional cooperation, although other regulations predict establishment of different institutional mechanisms for cooperation between local self-government and business community. Namely, establishment, jurisdictions and functioning of different institutional forms of cooperation between local self-government and business community have been defined by the Law on Employment and Insurance in Case of Unemployment (Official Gazette of Republic of Serbia, No. 36/2009 and 88/2010) as well as the Law on Socio-Economic Council (Official Gazette of Republic of Serbia, No. 125/2004).

Also, several donor development programs and development institutions have promoted different models of institutional cooperation between local self-government authority and business community. Thus, *USAID*[1] through program *Municipal Economic Growth Activity - MEGA* promoted formation of Offices for local economic development within the authority of local self-government, as part of administration which will, among other things, cooperate with the local business community. Founding and functioning of Offices for local economic development in Serbia have been supported by *GTZ*[2], *UNDP*[3] and the like. The same programs proposed and promoted forming of economic (business) councils, representing advisory bodies with the task to establish dialogue and active participation of local business community in creating and carrying out local economic development policy. National Alliance for Local Economic Development (NALED) initiated the process of certifying local self-governments with favourable business environment, which, within the framework of defined criteria, made the existence of Offices for local economic development and economic (business) councils obligatory for local self-governments, which to a great extent, made local self-governments participating in the process create this mechanism of institutional cooperation as well (see Business Friendly Certification South East Europe, 2013 and NALED, Certification program business-friendly municipality, 2012).

In connection with the legal framework for establishing institutional mechanisms of cooperation between local self-government authorities and economy, we have to bear in mind the Law on Economic Chambers (Official Gazette of Republic of Serbia, No. 65/2001, 36/2009 and 99/2011), particularly taking into consideration changes in the "chamber system" in the Republic of Serbia, as well as annulment of obligatory membership of all business entities in economic chambers.

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From the foregoing, it can be concluded that there is a valid legal framework that enables the formation of bodies of local governments whose competences would be directly aimed at improving the business environment. Also, in addition to legal solutions, initiatives in this field have solid financial support of donor funds.

RESEARCH METHODOLOGY AND HYPOTHESES

Empirical research was conducted within the framework of cooperation with the Board for local economic development and Network for local economic development of Standing Conference of Towns and Municipalities in Serbia during April and May 2013. The research was carried out on the sample of 56 cities and municipalities in Serbia and consisted of two segments:

1. Research of existence of institutional capacities for local economic development within the government, that is, administration of towns and municipalities and
2. Research of various models and mechanisms of institutional cooperation with business community, where special attention is given to existence, structure and functionality of three possible forms: (1) Local Socio-Economic Council, (2) Local Employment Council and (3) Local Economic, i.e. Business Council.

Total number of questions included in the survey is 31. The questionnaire was sent to all local governments in Serbia (174 LSG units, according to Statistical Office of RS: 150 municipalities, 23 cities and the City of Belgrade as a capital) and 56 of them responded positively and joined the research. The research was conceived as a kind of self-evaluation of local self-government institutions and response to the questionnaire was the responsibility of LED offices. Out of total number of 56 cities and municipalities included in research sample, according to population, 23 belong to small municipalities (up to 20,000 inhabitants), 21 belong to medium-sized (from 20,000 to 80,000), and 12 of them belong to large municipalities (over 80,000 inhabitants), as shown in Table 1.

Within local self-governments surveyed, activities in the area of local economic development are organized in 12 cases through Department for local economic development, in 8 cases through Division for local economic development and in 26 cases through Office for local economic development. In only 5 towns and municipalities local economic development activities are done by Agencies for local economic development as separate legal entities (Table 2).

Table 1. The structure of the surveyed municipalities by size

The Size of Municipality	Number of Municipalities	%
Small (up to 20,000 inhabitants)	23	41.07%
Medium (from 20,000 to 80,000 inhabitants)	21	37.50%
Large (over 80,000 inhabitants)	12	21.43%
Total	56	100.00%

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Table 2. Institutional forms on local level that carries the activities of economic development

Institutional Form	Number of Municipalities	%
Department for Local Economic Development	12	21.43%
Division for Local Economic Development	8	14.29%
Office for Local Economic Development	26	46.43%
Agency for Local Economic Development	5	8.93%
	51	91.08%
No local institutional form in the field of LED	5	8.93%
Total	56	100.00%

Based on the given data, it can be concluded that in 51 out of 56 municipalities surveyed (91.08%), exist special organizational authorities to perform activities in the area of local economic development, most commonly organized as Offices for local economic development (46.43%), which shows that local self-government authorities have become aware of their obligation to actively deal with local economic development.

Since there is currently a high level of centralization in Serbia, the authors of this paper have found it necessary to evaluate initially the existence of local self-government bodies in all municipalities that are within its jurisdiction that should deal with local economic development problems. First of all, this applies to small and underdeveloped municipalities in which the existence of these bodies is of great importance. Therefore, the null hypothesis is defined as:

H_0: There is no connection between the size of the municipality and existence of Business Council.

If there is adequate institutional infrastructure at the local level, the paper will also test the functionality of these institutions and their cooperation with the business community through involvement of business representatives in the work of these institutions. In this regard, the authors tested the following hypotheses:

H_1: There is no correlation between the size of the municipality and quality and functionality rating of Business Council, and

H_2: There is no correlation between the fact that the President of the Council is among the business representatives and quality and functionality rating of Business Council.

In order to test the hypothesis, the relevant statistical methods will be applied.

Furthermore, functionality analysis of business councils will be tested through the application of multi-criteria analysis. Namely, through the process of determining the weights, evaluation of all activities performed by the Business Council will be carried out. This part of research refers to following hypothesis:

H_3: Quality rating of Business Council dependent on activities performed by the Business Council in observed municipality and contribution of each activity can be expressed by weights in multi-criteria model.

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In order to test the hypothesis H_3, the appropriate methods for determining weights will be applied. Since this is a quantification of the subjective preferences about quality of performance of Business Councils the applied method will be Analytic Hierarchy Process. Data analysis that precedes forming of the pairwise comparison matrix will be performed using the Chi-Square Test.

STATISTICAL ANALYSIS OF BUSINESS COUNCILS FUNCIONALITY[4]

In the observed sample of LSG units, 32 of them have established Economic i.e. The Business Council, which is 57.1 percent (Table 3). Also, one of the municipalities in the sample, Odžaci, had established Business Council in the period from 2010 to 2012 and those experiences will be taken into account in the analysis.

If the size of LSG units in the context of the population is considered, it can be concluded that 75.0% of large municipalities and 63.9% of medium municipalities have established the Business Councils (Table 4). When it comes to small municipalities, the percentage of those who have a Business Council is much smaller and amounts to only 43.5%, which is well below the sample average.

The fact that in small municipalities there is lower percentage that indicates the existence of the Business Council, makes null hypothesis justified. For purpose of testing H_0, Chi-Square Test is applied. Chi-Square Test is a well known statistical procedure that refers both to a statistical distribution and to a hypothesis testing procedure that produces a statistic that is approximately distributed as the

Table 3. Descriptive statistics: is the Business Council established?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	24	42.9	42.9	42.9
	Yes	32	57.1	57.1	100.0
	Total	56	100.0	100.0	

Table 4. Cross tabulation analysis between municipality size and existence of Business Council

The Size of the Municipality	Is it Business Council Established?		Total
	No	Yes	
Small - up to 20.000	13	10	23
Count % within municipality size	56.5%	43.5%	100.0%
Medium - from 20.000-80.000	8	13	21
Count % within municipality size	38.1%	61.9%	100.0%
Large - over 80000	3	9	12
Count % within municipality size	25.0%	75.0%	100.0%
Total	24	32	56
Count % within municipality size	42.9%	57.1%	100.0%

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chi-square distribution. For the purpose of research, Chi-Square Test is used in its second sense. The original procedure dates from Karl Pearson paper published in the 1900s which defined the chi-squared test of goodness of fit (Plackett, 1983).

However, the results of Chi-Square Test (Table 5) clearly show that municipality size does not influence the fact whether Business Council is established (Pearson Chi-Square equals 0.131). Regardless of the circumstances where small municipalities have a lower percentage of those who established Business Council, this difference is not statistically significant and cannot be correlated with the size of the municipality. The null hypothesis has been confirmed by this conclusion.

This finding is very important, in terms of decentralization, because it suggests that the process of establishment of the institutional framework of cooperation between local governments and the business community is taking place in all LSG units. The next issue to be analyzed is relating to the management of Business Council. The very idea and purpose of the establishment of the Business Council is in cooperation between institutions and businesses focused on business enabling environment. In this sense, it is very important to analyze the participation of businessmen in the work and management of the Business Council. Particular question contained in the questionnaire was whether the president of the Business Council from among the business representatives. The answer to this question was given by 33 LSG units, of which 23 or 69.7% have a president of the Business Council among business representatives (Table 6).

If one looks at management structure of the Business Council in relation to the size of the municipality, it can be concluded that the majority of representatives of business in the position of the president are in the medium-sized municipalities (56.5%), followed by large municipalities with 26.1%. Cross

Table 5. Chi-Squere test results: is there a dependence between the size of the municipality and the fact that the Business Council was established?

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.069[a]	2	**.131**
Likelihood Ratio	4.115	2	.128
Linear-by-Linear Association	3.714	1	.054
N of Valid Cases	56		

1 cells (16.7%) have expected count less than 5. The minimum expected count is 4.93.

Table 6. Descriptive statistics: Whether the president of the Business Council is among the business representatives

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	10	17.9	30.3	30.3
	Yes	23	41.1	69.7	100.0
	Total	33	58.9	100.0	
Missing	System	23	41.1		
	Total	56	100.0		

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tabulation results between municipality size and the fact that the president of the Business Council is among the business representatives is presented in Table 7.

That is not the case when it comes to small municipalities where the share of business representatives as president of the Business Council is lower.

The results of Chi Square Test indicates that there is a dependence between size of the municipality and this issue in the sense that in most medium and large municipalities have president of the Business Council from among businessmen (Table 8).

The following analysis is related to Business Council quality and functionality assessment. The quantification of perception of LED offices about quality and functionality of Business Council is achieved by applying the Likert scale (Likert, 1931), where the highest level is rated with 5, and the lowest level with 1. Assessment results are presented in Table 9.

Quality and functionality of Business Council were assessed in 30 municipalities. The average rate was 2.97, and the standard deviation is 1.33. Business counsels in medium-sized municipalities have best average rating 3.15, while both other groups are below average of the sample (Table 10).

However, despite the obvious difference in average scores, which can be seen from the cross tabulation analysis, Chi-Square Test shows that there is no statistically significant dependence between the size of the municipality and the average rating of the Business Council in it (Table 11). Therefore, the research hypothesis H_1 is proved.

Table 7. Cross tabulation analysis between municipality size and the fact that the President of the Council is among the business representatives

The Size of the Municipality	Is it President of the Council Among the Business Representatives?		Total
	No	Yes	
Small: Up to 20.000	6	4	10
Count % within municipality size	60.0%	17.4%	30.3%
Medium: From 20.000-80.000	1	13	14
Count % within municipality size	10.0%	56.5%	42.4%
Big: Over 80000	3	6	9
Count % within municipality size	30.0%	26.1%	27.3%
Total	10	23	33
Count % within municipality size	100.0%	100.0%	100.0%

Table 8. Chi-Square Test results: Is there dependence between size of the municipality and the fact that the President of the Council is among the business representatives

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.770[a]	2	**.021**
Likelihood Ratio	8.363	2	.015
Linear-by-Linear Association	1.760	1	.185
N of Valid Cases	33		

3 cells (50.0%) have expected count less than 5. The minimum expected count is 2.73.

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Table 9. Business Council quality and functionality assessment

		Frequency	Percent	Valid Percent
Valid	1.000	6	10.7	20.0
	2.000	5	8.9	16.7
	3.000	6	10.7	20.0
	4.000	10	17.9	33.3
	5.000	3	5.4	10.0
	Total	30	53.6	100.0
Missing	System	26	46.4	
Total		56	100.0	

Table 10. Cross tabulation analysis between municipality size and quality and functionality rates of business councils

The Size of the Municipality	The Quality and Functionality Rates of the Business Councils					Total	Average Rate
	1.000	2.000	3.000	4.000	5.000		
Small: Up to 20.000	3	1	2	3	1	10	2.8000
Count % within municipality size	30.0%	10.0%	20.0%	30.0%	10.0%	100.0%	
Medium: From 20.000-80.000	2	2	3	4	2	13	3.1538
Count % within municipality size	15.4%	15.4%	23.1%	30.8%	15.4%	100.0%	
Big: Over 80000	1	2	1	3	0	7	2.8571
Count % within municipality size	14.3%	28.6%	14.3%	42.9%	.0%	100.0%	
Total	6	5	6	10	3	30	2.9667
Count % within municipality size	20.0%	16.7%	20.0%	33.3%	10.0%	100.0%	

Table 11. Chi-Square Test results: Is there dependence between size of the municipality and quality and functionality rates of business councils

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.130[a]	8	**.926**
Likelihood Ratio	3.669	8	.886
Linear-by-Linear Association	.028	1	.868
N of Valid Cases	30		

Finally, the relation of the average quality and functionality rates has been analyzed depending on whether the Business Council is managed by a business representative.

The results show that there is a higher quality and functionality rate in those business councils where the president is among business representatives (Table 12), but the difference is not statistically significant. Therefore, the research hypothesis H_2 is proved, as well.

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Table 12. Group statistics of quality and functionality ratings of Business Council according to the fact that the president of the council is among the business representatives

		N	Mean	Std. Deviation	Std. Error Mean
Is the President of the Council among the business representatives?	No	9	2.88889	1.691482	.563827
	Yes	21	3.00000	1.183216	.258199

IMPACT OF BUSINESS COUNCIL ACTIVITIES ON BUSINESS COUNCIL QUALITY AND FUNCTIONALITY RATING

The quality and functionality of the Business Council is reflected in the ability to efficiently and effectively implement activities that contribute to improving the business climate at the local level. Starting from the assumption that there is a finite set of activities carried out by Business Council and that the goal of its work is to create a favorable business environment, the whole problem can be regarded as multi-criteria model where it is necessary to determine the weights of criteria and thus assess the extent to which they contribute to the problem goal.

The problem of relative weights determination exists since the formulation of the first multi-criteria analysis methods. During that period several approaches have been proposed to determine weights (Hwang, 1987; Saaty, 1980). Most of them can be classified depending on the information provided for their assessment in two main groups: (1) subjective and (2) objective approaches. Subjective approaches determine weights that reflect subjective judgment, while objective approaches determine weights by making use of mathematical models and they do not consider subjective judgment (Liu, 2003).

The most popular subjective approaches are the Analytic Hierarchy Process (Saaty, 1977), least squares comparison (Chu *et al*., 1979), Delphi method (Hwang & Lin, 1987), etc. The objective approaches include methods such are LINMAP - Linear Programming Techniques for Multidimensional Analysis of Privileged (Srinivasan & Shocker, 1973), various computer-aided mathematical models (Pekelman & Sen, 1974), Data Envelopment Analysis (Charnes *et al*., 1978), the entropy method (Hwang & Yoon, 1981; Van Uden & Kwiesielewicz, 2003; Chen & Lili Qu, 2006), principal component analysis and multi-attribute programming methods (Fan *et al*., 1999), all statistical methods, etc. Usual application of those methods in the field of local economic development (Wong, 2002) or urban economy (Nel, 2001) is through creating composite indices. The subject of this chapter, in contrast to conventional application, relates to the implementation of multi-criteria analysis in local economic development problem where weight determination and ranking relevant criteria should be preformed, based on which would be possible, in some of the further research, to make comparison of business councils performance, through creating a composite indices of their quality and functionality.

Testing Dependence Between Activities and Quality and Functionality of Business Council

Suppose the Business Council performs n different activities with aim to improve business environment and it is necessary to determine the measure of relative importance of each activity, expressed through weights w_j (j=1,2,...,n). A way of quantifying the contribution of activities is the assessment of the quality and functionality of the Business Council. The higher the rating of quality and functionality, the greater

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the extent of contribution of the Business Council in creating a friendly business environment. The quality and functionality ratings are subjective estimations of the LED offices about degree of performance success of the Business Council.

According to research data, Business Council performs the following activities:

A1: Draws conclusions, recommendations and opinions, it is important to improve the business climate in the community;
A2: Submits the above documents to the Municipal/City Parliament, Municipal/City Council and Municipal President/Mayor with a proposal to take adequate measures;
A3: Prepares a proposal of the Strategic Plan;
A4: Prepares amendments to the Strategic or Action Plan;
A5: Prepares annual implementation plans;
A6: Monitors and evaluates the implementation of projects and tasks of the Strategic Plan;
A7: Provides support to the LED offices in the performance of all functions within their jurisdiction;
A8: Provides support to Municipal President/Mayor and Municipal/City Council in making decisions related to other economic and development programs; and
A9: Gives opinions and suggestions for improvement of the municipal/city government, public enterprises, institutions, organizations and agencies established by the municipality/city in order to enhance conditions for economic activities in the municipality/city.

Each of these activities is categorized as "performed" and labeled with 1, or "not performed" and labeled with 0. In order to connect the category "performed" of certain Business Council activities with its quality and functionality rating, Chi-Square Test was used as a suitable non-parametric test. The results of Chi-Square Test where the dependence between quality and functionality rates was tested and particular activities conducted by Business Council are presented in Table 13.

Table 13. Chi-Square Test results: testing dependence between quality and functionality rates and particular activities conducted by Business Council

Activity	Frequency of Quality and Functionality Rates in the Group of Business Counsels That Are Performing the Observed Activity					Total Number of Business Councils Which Perform the Observed Activity	P-Value
	1	2	3	4	5		
A1	4	3	6	10	3	26	0.115
A2	2	1	4	8	3	18	0.053
A3	2	3	3	3	3	14	0.553
A4	2	2	3	3	2	12	0.948
A5	0	1	2	3	2	8	0.203
A6	2	2	1	7	3	15	0.257
A7	1	2	4	7	3	17	0.181
A8	3	0	5	9	3	20	0.001
A9	3	1	3	8	3	18	0.063

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Based on results presented above, it can be concluded that there is only one activity that is statistically significant for achieving higher quality and functionality rate of Business Council (p-value for *A8* is 0.001). This suggests that the activity A_8 has the highest level of utility for achieving the goal and this information will be used in forming the decision matrix in the analysis that follows. Also, for all other activities analog estimation logic will be applied - lower p-values mean a stronger connection with the quality and functionality rate, which automatically means greater importance for achieving the goal. Based on this data objectification of preferences will be conducted. Simple additive normalization of expression (1 - p-value) in order to obtain weights assessment, will not give the desired result because utility arising from the perception of statistical significance would be ignored and all activities would be treated equally. By applying a subjective method of determining the weights, the desired goal is achieved - to objectively assessed dependence between activity and quality and functionality rate, has been added new information about the utility of that assessment for achieving the goal of the problem. This procedure will be carried out using the method of Analytic Hierarchy Process.

Analytic Hierarchy Process for Weights Assessment of Business Council Activities

Analytic Hierarchy Process (AHP) is a well-known method of multi-criteria analysis developed by Thomas Saaty in 1980s. The AHP algorithm is defined through set of principals and axioms that delimits the scope of the problem environment (Forman & Gass, 2001). Three basic principles of AHP are (1) decomposition, (2) comparative judgments and (3) hierarchic composition or synthesis of priorities (Saaty, 1994).

The purpose of decomposition is to structure a complex problem into clusters of different hierarchy: criteria, sub-criteria, sub-sub-criteria and so on. At the bottom level are alternatives that should be ranked according to higher levels of hierarchy. The principle of comparative judgments is applied to construct pairwise comparisons of all combinations of elements in a particular cluster with respect to the cluster of the higher level. First knowledge about pairwise comparison method was introduced by Fechner in 1860 and developed sixty years later by Thurstone in 1927. Based on this essential pairwise comparison method, Saaty developed the AHP as a method for multi-criteria decision-making.

These pairwise comparisons are used to assess "local" priorities of the elements in a particular cluster with respect to their higher level cluster. The principle of hierarchical composition or synthesis is applied to the priorities of the elements in each cluster level and creates a kind of "general" priority vector for all elements and all hierarchy levels in the problem.

The theory of AHP method is based on three axioms. The first axiom, the reciprocal axiom refers to forming decision matrix. Based on pairwise comparison reciprocal matrix A_{nxn} has been formed, for each cluster respecting their parent in hierarchy above. The reciprocal matrix has elements $a_{ii} = 1$, (the main diagonal elements are equal to one), while the elements below main diagonal are computed as the reciprocal of the elements above, i.e. $a_{ji} = 1 / a_{ij}$, i≠j, $i, j = 1, 2, ..., n$ (1):

$$\begin{bmatrix} 1 & \cdots & a_{1n} \\ \vdots & \ddots & \vdots \\ 1 / a_{1n} & \cdots & 1 \end{bmatrix} \tag{1}$$

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The second is homogeneity axiom which suggests that the elements being compared through pairwise comparison should not be too different or there will tend to be larger errors in judgment. On the basis of this axiom it is implied that AHP method is not suitable for problems where there is a large number of criteria or alternatives.

The third axiom states that judgments about, or the priorities of, the elements in a hierarchy do not depend on lower level elements. This axiom is required for the principle of hierarchic composition to be applied. While the first two axioms are, in our experience, completely consonant with real world applications, the third axiom requires careful examination, as it is not uncommon for it to be violated (Forman & Gass, 2001).

The mathematical background of AHP algorithm for calculating the priorities is theory of consistent matrices as well as Perron-Frobenius theory on non-negative matrix (Perron, 1907; Frobenius 1912). Simply, whole algorithm is based on ability of eigenvector to generate true or approximate weights (Saaty, 1987). The AHP algorithm makes a comparison of criteria or alternatives with respect to an observed criterion, in pairwise mode. As a tool for pairwise comparison, AHP uses a fundamental scale of absolute numbers (from 1 to 9) that has been widely accepted in practice and validated by many different experiments in the field of decision theory (Saaty, 1977). This scale has to be a scale that quantifies individual preferences with respect to quantitative and qualitative attributes just as well or better than other scales. The pairwise comparison matrix that refers to activities of Business Council whose relative importance is to be estimated is presented in Table 14.

According to the Perron-Frobenius Theorem, if A is an *nxn,* non-negative, primitive matrix, then one of its eigenvalues λ_{max} is positive and greater than or equal to (in absolute value) all other eigenvalues, and there is a positive eigenvector W corresponding to that eigenvalue, and that eigenvalue is a simple root (matrix Frobenius root) of the characteristic equation. (Alonso & Lamata, 2006, p. 447):

$$AW = \lambda_{max} W \text{ or } (A - \lambda_{max} I)W = 0 \tag{2}$$

According to eigenvector method, weights could be calculated based on eigenvector W by additive normalization. If the pairwise comparison matrix is perfectly consistent, following statements are valid: (1) for arbitrary *i, j* and *p*, $a_{ij} \cdot a_{jp} = a_{ip}$ (*i,j,p=1,..., n*), (2) the comparison matrix determinant is equal to 0 and (3) the matrix Frobenius root i.e. eigenvalue λ_{max} is equal to *n* and (4) the remaining eigenval-

Table 14. Pairwise comparison matrix

	A1	***A2***	***A3***	***A4***	***A5***	***A6***	***A7***	***A8***	***A9***
A1	1	1/2	4	8	2	3	2	1/2	1
A2	2	1	5	9	2	3	2	1/2	1
A3	1/4	1/5	1	4	1/4	1/3	1/4	1/5	1/5
A4	1/8	1/9	1/4	1	1/8	1/6	1/8	1/9	1/9
A5	1/2	1/2	4	8	1	2	1	1/3	1/2
A6	1/3	1/3	3	6	1/2	1	1/2	1/4	1/4
A7	1/2	1/2	4	8	1	2	1	1/4	0.5
A8	2	2	5	9	3	4	3	1	2
A9	1	1	5	9	2	3	2	1/2	1

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ues are equal 0 for any a_{ij}. Thus, the eigenvector corresponding to the λ_{max} is always non-negative and each element of the eigenvector standardized by additive normalization can be interpreted as relative importance of corresponding criterion (Alonso & Lamata, 2001). In situation of perfect consistency, the comparison matrix satisfies the transitivity property for all pairwise comparisons. However, ideal judgments that decision matrix makes consistent are rare and it is necessary to determine the acceptable level of inconsistency. In this case, Saaty defined the consistency index (*CI*) as follows:

$$CI = \frac{\ddot{e}_{max} - n}{n-1} \tag{3}$$

as well as consistency ratio:

$$CR = \frac{CI}{RI} \tag{4}$$

where *RI* is the average value of *CI* for random matrices using the Saaty scale. According to Saaty only acceptable inconsistency is if $CR < 0.1$.

For pairwise comparison matrix presented in Table 14, the calculated maximum eigenvalue was $\lambda_{max} = 9.304137$, as well as the corresponding consistency index $CI = 0.0380171$ and consistency ratio $CR = 0.0262187$. The random index value was the one provided by Saaty and Wharton where $RI_{(n=9)} = 1.45$ (data from Table 1. *RI*(n) values from various authors, Alonso & Lamata, 2001, p. 449). The application of eigenvector method determined weights presented in Table 15. Eigenvector solution is calculated by additive normalization procedure, i.e. each weight is calculated as ratio of corresponding coefficient of eigenvector and sum of all elements of eigenvector. The calculations were performed using the software package Mathematica 9.0.

According to results providing support to municipal government bodies (Municipal President/Mayor and Municipal/City Council) in making decisions related to economic and development programs is the activity which makes Business Council the most efficient and effective in creating a favorable business environment, i.e. achieving greater level of quality and functionality. Activities that follow in

Table 15. Weights assessment

Activity	Eigenvector	Eigenvector Solution (Weights)	Rank of Activity Importance
A1	0.3571332	0.1398397	4
A2	0.4317899	0.1690724	2
A3	0.0841002	0.0329304	8
A4	0.0374878	0.0146788	9
A5	0.2381119	0.0932355	5
A6	0.1523057	0.0596371	7
A7	0.2381119	0.0932355	5
A8	0.6214303	0.2433283	1
A9	0.3934056	0.1540425	3

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significance are submitting proper documents with conclusions, recommendations and opinions, it is important to improve the business climate in the community to municipal government bodies, as well as giving opinions and suggestions for improvement of the municipal government, public enterprises, institutions, organizations and agencies established by the municipality in order to enhance conditions for economic activities.

FUTURE RESEARCH DIRECTIONS

Future research that would be complementary to the one presented in the chapter will focus on the analysis of other forms of institutional cooperation between local authorities and the business community. Special attention will be paid to the analysis of the work and results of the Socio-Economic Council and the Council for Employment. In this regard it is possible to perform an analog analysis of their activities in order to assess their quality and functionality.

In addition, research will focus on collecting data for the objectification quality and functionality evaluation of these local government bodies. Namely, authors intend to measure the effects of their actions through numbers of open and closed businesses, employment rates, unemployment rates and investments in the territory of the observed LSG unit. Finally, it is important to investigate and review the business community about the quality and functionality of LSG bodies involved in issues of local economic development. By fusion of all those research results, it is possible, by using multi-criteria analysis, to create a composite index which show the comparison and ranking of the business councils in different LSG units, which contained indicators of LED office self-evaluation, as well as attitudes of the business community about the quality and functionality of cooperation.

Nevertheless, further research will focus on global dimension of the local economic issues, considering the analysis of the business environment through international cooperation and relations with neighboring countries.

CONCLUSION

Research conducted for the purposes of this chapter clearly indicates that the LED offices are not largely satisfied with the quality and functionality of the business council (low average quality and functionality rate). On the other hand, if we take into account the response of LSG units, where only one-third of them participated in the survey it can be concluded that there is still no awareness of any local authorities to proactively participate in the improvement of its quality and functionality.

Positive conclusions are related to the fact that the most of LSG units (regardless of size) have formed bodies that would carry out institutional co-operation with the business community. Also, there are indications of good cooperation with representatives of business and the most of the business councils head are exactly business representatives.

When it comes to activities that are carried out by business councils, their effects are not assessed as significant, because there is a clear statistical correlation only between one activity and quality and functionality rate. The AHP method provided weights that suggest the same conclusion. This clearly indicates that the business councils in observed LSG units in Serbia do not carry out their activities in

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an efficient and effective manner. Hence, it is necessary to improve the quality and functionality of the business councils in terms of the selection of activities according to the concrete needs and problems of the local economy in observed LSG unit, but also through a more efficient way of carrying out those activities.

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KEY TERMS AND DEFINITIONS

Analytic Hierarchy Process: One of the most popular methods of multi-criteria analysis developed by Thomas Saaty in 1980.

Business Council: An advisory body which is aimed at encouraging economic activities at the local level.

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Business Environment: An environment in which business operates.

Chi-Square Test: Well known statistical procedure that refers both to a statistical distribution and to a hypothesis testing procedure that produces a statistic that is approximately distributed as the chi-square distribution.

Institutional Cooperation: Official cooperation between local government bodies and the economy sector.

Local Self-Government Institutions: The authorities at the local level.

Multi-Criteria Analysis: A set of methods aimed at selection or ranking alternatives on the basis of two or more relevant criteria.

Statistical Analysis: A set of methods that are used for data analysis.

Weights Assessment: The procedure of determining the relative importance of criteria in the model.

ENDNOTES

1 U.S. Agency for International Development.

2 *GTZ* and then its successor organisation *GIZ* (Deutsche Gesellschaft für Internationale Zusammenarbeit), formed on January 1, 2011 through the merger of DED, GTZ and Inwent.

3 United Nations Development Programme.

4 All of the tables under this heading are the authors' calculation using SPSS.

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Chapter 76
International Migration Through the Tourism Industry:
Implications, Challenges, and Contradictions in South Africa

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ABSTRACT

The tourism industry has advantages and disadvantages that are evident in South Africa. One of the disadvantages in Cape Town is the growth of particularly urban tourism that has displaced domestic tourists due to the high prices charged. The development of the domestic tourism market is challenged by the dominant unemployment, poverty, and inequality that are affecting the South African economy. Yet, tourism consumption requires the availability of discretionary income as a necessary condition to afford to procure and consume tourism offerings. Government support is visible in the industry as it has the ability to create jobs and opportunities for entrepreneurs. Even though three cities in South Africa, Cape Town, Durban, and Johannesburg, dominate the urban tourism market, this can also be reflected in the flight frequencies via Johannesburg, which is the regional hub for Southern Africa.

INTRODUCTION

The tourism industry has established itself as one of the leading industries in the world economy as it is being promoted for its economic benefits across all countries. Some of the economic benefits include improving the balance of payments, attracting foreign exchange because tourism is an export industry, where the tourism product offering can be consumed at the destination area, meaning that the bulk of the value adding happens at the destination area. "Tourists usually consume a bundle of goods and services while travelling, the key elements of such a consumption bundle may be identified in five broad

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commodity groups: accommodation, food, transportation, shopping and entertainment'' Divisekera (2010, p. 631). When tourism planning at the destination area seeks to achieve pro-poor outcomes, the destination area can benefit economically. Tourism gained widespread recognition as a major industry when it was integrated as one of the industries that could assist countries that were under the structural adjustment programmes initiated by the IMF and the World Bank. The tourism industry is appreciated by policy makers as it can create the opportunities for local employment, because of its labor intensive nature for local entrepreneurship. Therefore, it can be said that the entry level positions that tourism creates cannot be matched by any other industry because the labour intensive nature of tourism means any growth in the tourism industry, is matched by employment growth. Evidence of the linkages with others sectors of the economy is well documented in agriculture, and construction.

Tourism is one of the world's leading industries in the world economy and is mostly promoted for its economic benefits across all countries. Tourism economy is not an independent autonomous entity but is intricately woven with the social and political fabric of society (Bailey & Richardson; 2010). It is the industry that cuts across other sectors, which make it difficult to estimate (Harrison, 1992, p. 15). According to Visa (2013), the tourism industry is forecasted to grow at an average of four percent annually over the next 10 years. Although tourism is a piece token for all due to its nature of being a multiplier effect; regional unemployment continues to be a problem as a larger number of jobless people emigrate from distant places to the tourists' centres, thus increasing the unemployed population in the cities. This merely concurs with the statement made earlier that 'tourism in an export industry' because of the product offerings that are consumed at the destination area. Therefore strengthening regional integration, collaboration and partnership through bilateral and multilateral engagement to facilitate movement of people from one place to another is prudent; be it for migration or tourism purposes.

However, Pillay & Rogerson (2013) contend that there are poor linkages between tourism and other sectors as a result, something must be done by tourism planners to ensure that there is as little as possible leakage from the local community. Yet, Torres (2003, p. 547) indicates that "tourism development is also often associated with increased demand for imported food, resulting in foreign exchange leakage and competition with local production. This phenomenon leads to the tourism industry's failure to stimulate local agriculture and in some cases; it is associated with a relative decline in production. The potential for tourism to promote local agricultural production, nevertheless, is widely recognised''. The integration of local agriculture must be a concerted step as part of the tourism development master plan for a destination, to ensure that tourism benefits and improves the standard of living for locals. Hence, integrating the local economy with the tourism industry plays an important role to improve the developmental ability of the tourism industry, especially for small scale farmers. When locals benefit from the tourism industry, they will become better hosts for tourists, due to the value domain. Tourism has become a major economic sector in many countries (Cheng, 2012), as it is one of the four key industries in Hong Kong contributing 3% of gross domestic product.

The economic growth and wealth of the Middle East countries such as India and China, has stimulated a demand for outbound tourism from those countries, which has increased the pool of available tourists. Market diversification is imperative especially for South Africa which is overly dependent on Europe (mainly United Kingdom) and the United States for the majority of international tourist arrivals. According to Gauteng Tourism Authority (2013), 69.9% of arrivals in South Africa are from African land arrivals, comprising of shoppers and cross-border traders. Such pointers indicate that tourism has an ability to rejuvenate sections of a town or city through redevelopment and attracting tourists. One of the examples within the South African context is the case of Cape Town and Durban. The Depart-

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ment of Environmental Affairs (2003) noted the boom in international tourism to South Africa during post-apartheid period that was accompanied by a growing influx of international visitors to the Western Cape. This is evident amongst domestic tourists, patterns of tourism growth that have been associated with the growth of tourism numbers within the previously disadvantage groups that includes Africans, Coloureds and Indians. As Pillay & Rogerson (2013) acknowledged that Durban (a city in KwaZulu Natal province) experienced a shift in the early 1990s as it experienced a decline in the white middle class clientele. This change in tourism migration patterns has been compensated by an increase in popularity of Durban amongst the Black South Africans. The redevelopment brings about the displacement of poor locals, whilst at the same time bringing in highly sought after direct foreign investment. Moreover, the top end of the tourism industry is dominated by large multinational companies that include principals such as major airlines, hotel groups and tour operating companies. Multinational companies and airlines bring new expertise to a destination which leads to the undesirable economic leakage and a decrease in the multiplier effects for the tourism industry. The involvement of multinational companies sometimes leads to leakage because of the exclusion of local ownership. For example, employing foreign staff that remit salaries, and the use inputs in the production of the tourism experience from outside of the destination country.

Nevertheless, not all is bad because tourism growth can occur at the destination without tourism benefit for the destination, sometimes this situation is undesirable. The effort to make tourism inclusive in the South African context is associated with the efforts of government to integrate the previously disadvantaged black South Africans to play an increasing role in the tourism industry as owners and tourists. According to Tangri & Southall (2008) when the African National Congress (ANC) in 1994, identified black economic empowerment (BEE) as one key instrument to break through the wall of whiteness around the South Africa's economy; the benefits of BEE and other policies increased the economic cloud of Black South Africans, through equity stakes in companies and better prospects in being hired due to affirmative action policies. The tourism industry has benefited from the increase in Black South Africa tourists, in as much as little is known about the special needs of this market. The emergence of Black South African tourists presents many opportunities for the greater dispersal of tourism expenditure geographically, especially when one is considering that the former homelands in South Africa that are not major tourism nodes.

Another breakthrough by South African government within the tourism industry is dealing with a challenge of retaining the tourism industry from pre-apartheid racial character of being predominantly white owned, and white controlled. Black Economic Empowerment has been promoted to try and address some of the issues of this nature, but the change is at a slow pace. Interestingly, the one sector of the tourism industry that has the highest black ownership is the gambling and gaming sector, where government grants licenses for operations that have significant black shareholding. The end of apartheid has ushered many policies such as the Employment Equity Act that legislated affirmative action for people of colour in South Africa and this has resulted in an increase in the number of black people in positions of power and authority and increased the black middle class. The tourism needs of the black middle class continue to escape academic gaze which is a missed opportunity. The same can be said of regional tourism from Lesotho, which constitute, by number of tourists, the biggest contributor of tourists to South Africa.

"The growth of tourism in South Africa during the past ten years resulted in the development of various types of tourism such as: eco-tourism, cultural tourism, adventure tourism, business tourism, sports tourism and event tourism" Strydomet al. (2006, p. 87). They desire by countries to attract more

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tourists has been shaped by the emergence of special interest tourism which has allowed for the attraction of tourists based on the strengths or jewels of a country. For example, a country such as Australia is an established educational tourism destination, whilst Dubai remains the most important transit destination and is known for its shopping holidays. The Southern Africa is known for the great wildlife. Medical tourism has also become a major differentiator for South Africa, from major hip operations to abortion, which is not allowed in many countries in Africa. The South African constitution which is one of the most progressive, has allowed for the same sex marriages to be recognised. This has stimulated the emergence and attraction of South Africa as a destination that attracts gay and lesbians.

Cape Town is basically Africa's urban Gay Capital where by gay tourism is one of the most urban of tourism market segments. For example, three major cities in South Africa are Cape Town, Durban and Johannesburg. They dominate the urban tourism market in South Africa, and this can be reflected in the flight frequencies. Moreover, when South Africa hosted a 2010 FIFA World Cup, different games took place in the Provinces of South Africa including three cities. Durban has already indicated its desire to bid to host the Olympic Games, after the failed attempt by the City of Cape Town in the early 2000s. This is an indication of tourism growth in South Africa.

The tourism industry allows peaceful movement of people in the world, and is a very important economic force for any destination that receives tourism. Africa's share of the tourism industry remains small; any change in tourist arrivals has an adverse impact on the tourism industry. Acts of terror, post-election violence and acts of crime against tourists deter tourists away from un-safe destination. For example, after disputed elections of 2007 in Kenya, they led to a dwindling in tourism numbers and (Modi&Shekhawat, 2008) led to citizens being internally displaced to safer areas within Kenya and in neighbouring countries. South Africa grappled with a violent past (during the apartheid). Unlike other countries, South Africa does not have a dedicated tourism police safeguarding tourists, hence crime affects the tourism industry negatively. A country has opened up its borders; opening up the country exposes the country to new risks such as reducing visa restrictions that are seen as a barriers especially by less developing countries, and this can proliferate the entry of unwanted tourists that stay beyond their allocated time period. The growth of particularly urban tourism in Cape Town has displaced domestic tourists due to the high prices charged. The development of the domestic tourism market is challenged by the dominant unemployment, poverty and inequality that are affecting the South African economy. After a period of jobless growth experienced by the country, major industries such as agriculture and mining are increasing mechanisation and retrenching workers. Ashley & Mitchell (2005) cautioned that tourism cannot be a panacea for all the challenges of a destination country. Much has been made of the positive benefits of tourism, which is usually well publicised, whilst the negative social, and environmental impacts are downplayed.

SUCCESSFUL MIGRATION LESSONS IN AFRICA

Much academic gaze on the tourism destination area has increased because it is the site of production and consumption of the tourism experience. The operation of the tourism industry would attract inward migration that would compete with locals for jobs in the tourism industry. This point is also eluded by Shaw & Williams (1994, p. 184), that "international migration is important in tourism because it fills critical labour shortage in many developed countries". Although the use of expatriates' labour in the tourism industry is problematic, it leads to leakage from the tourism destination, thus, limiting the ben-

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efit that the tourism industry has for the destination area. Apart from leakage, developing countries still struggle with socio-economic and operationalization issues (Sharpley & Telfer, 2004, p. 159). This makes it difficult for tourism to prosper in developing countries; for example some African countries hegemonic aspirations in the sense of seeking out a position of 'structural power' is evident through political and economic instability facing the continent (Alden & Soko, 2005, p. 383). These hegemonic aspirations leads to migration of people from one country to another, or from rural to urban areas, thereby causing terrorism, crime, illegal immigrants, etc. However, this does not mean that there are no success stories in the continent concerning movement of people from one place to another place. African countries do realise benefits of the tourism industry, however, for tourism to prosper in Africa there is dire need for cooperation among the African countries and for the migration to go smoothly.

One of the successful stories that affect tourism and migration is the African Union (AU) headquarters that was established on 25 May 1963 in Addis Ababa, Ethiopia. AU currently houses 53 country members with the aim of promoting the unity and solidarity of African States; co-ordinate and intensify their co-operation and efforts to achieve a better life for the peoples of Africa; defend their sovereignty, territorial integrity and independence; eradicate all forms of colonialism from Africa; promote international co-operation, giving due regard to the Charter of the United Nations and the Universal Declaration of Human Rights; and co-ordinate and harmonise members' political, diplomatic, economic, educational, cultural, health, welfare, scientific, technical and defense policies. As an African inter-governmental organisation operating in Ethiopia, the existence of the AU Specialised Agencies in different African countries plays part in tourism and migration in general. The Specialized Agencies includes the, African Accounting Council; African Bureau for Educational Sciences; African Civil Aviation Commission; Pan-African News Agency; Pan-African Postal Union; Pan-African Railways Union; Pan-African Telecommunications Union; and Supreme Council for Sports in Africa. Hence, Crush, Williams and Peberdy (2005, p. 29), underscores the fact that that understanding the role of migration across, through and from the continent could assist in the development of NEPAD policies, and in the stated intention to foster African cooperation, unity, interaction and development. Albeit, the success stories concerning the movement of people occur because of their affiliation with other organisations outside their own countries. This activity has exacerbated migration in the continent as a result of controls that have become a critical issue when it comes to the movement of illegal emigrants without an entry visa, work visa, residency, etc. Any illegal migration leads to socio-economic problems in the continent. Moreover, the continent is still facing a myriad of challenges which include, but are not limited to; food insecurity, slow pace of regional integration, unconstitutional changes of governments, lack of respect of the rule of law and absence of durable peace in some countries, corruption, bad governance and human rights violations.

Africa has been punching above its weight in global affairs and has managed to reposition itself as a relevant and key player in the global political economy, as demonstrated by its role in agitating for the UN reform and for Africa's important role in global governance institutions. The implementation of grand plans and initiatives like NEPAD and APRM are a good example of institutionalised migration. The response of African leaders, governments, AU and Regional Economic Communities (RECs) to the challenges today can have long term implications for Africa's future. It is important to work together with non-governmental, international organisations and domestic platforms like (AU, UNECA) to strengthen Africa's competitive advantage, control migration and to increase tourism opportunities. The development in the continent through the facilitation of visas may lead to economic growth, increased employment, FOREX, etc. A good example is that of the Southern African Development Community (SADC) region planning to introduce a Schengen type visa to control movement in the region. Such strategies

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will benefit less developed countries of sub-Saharan Africa, especially those afflicted by debilitating rural poverty; tourism is perceived as one of the few feasible options for development (Briedenhhamn & Wickens, 2004, p. 71).

Moreover, other successful migration practices that involves people travelling from one place to another involves the African regional economic communities such as, Common Market for Eastern and South Africa (COMESA), East African Community (EAC), Economic community of Central African States (ECOWAS), Intergovernmental Authority on Development (IGAD). Tourism remains crucial to diversify the economic activities of the rural areas, which would most probably be associated with mining and agriculture.

TOURISM AND MIGRATION IN SOUTH AFRICA

South Africa's unique features in terms of landscape and its geographic positioning are phenomenon because the country is endowed with both natural and manmade attractions which stimulate growth in term of job creation, economic development, investment opportunities etc. Since 1994, South Africa has become an exciting, dynamic country for people wishing visit, study, work, conduct business, retire, volunteer and explore. The country provides future aspirations and opportunities for most people who want to reach their dreams. South Africa is one among the few countries in Africa that provides an investor-friendly environment, in which 100% foreign ownership is allowed. With its booming economy, South African tourism industry is prosperous and contributes towards boosting investors' confidence. The country possesses three large vibrant cities, Johannesburg, Cape Town and Durban and repatriation of profits is liberal as the country possesses a number of entry and exit points. South Africa's advantage of shaping new world order and maintaining its international influence through its alliances such as (G20, BRICS, etc) has manifested the country's capabilities. The development of diplomatic ties between South Africa and many countries that assisted the ANC and other liberation movements in the struggle against apartheid has also led to some migration, both temporary and permanent between countries. A good example is highlighted by Potgieter & Yang (2011) that Chinese community in South Africa (48.5%) that have been in a country for 6 years or longer. Pretoria is the administrative capital city of South Africa (the seat of the Executive). Furthermore, Pretoria is the most important diplomatic city in Africa, as it has the highest number of consulates and missions on the African continent.

Furthermore, successfully hosting major events has put South Africa on the map (Sifolo, 2010). According to the World Tourism Organization (WTO), (2002), South Africa is the premier destination, attracting about 50% of tourists to the SADC countries. This is not a surprise that South Africa has been doing well for almost two decades. Hence, an increase of immigrants in South Africa is sky rocketing (Crush, Williams and Perberdy, 2005, p. 7). Johannesburg has become more cosmopolitan with growing communities of Chinese, many African citizens setting up communities and diversifying the culinary experience especially in downtown Johannesburg. According to Cornelissen (2004, p. 1294), SA has emerged as a particularly virile events campaigner, coupling a more aggressive international self-projection based on the development of a particular image and the expansion of its tourism sector with a policy of actively pursuing the hosting of different sport (and other) mega-events. It may be argued that SA is already seen as the country that has possibilities and is an international hub that connects the rest of the continent to the world. Johannesburg's OR Tambo International Airport is the regional hub in South Africa and the city benefits from the transit tourists that will connect in the city.

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In contrary, according to the synthesis report by Peberdy, South Africa has the greatest proportion of its population living in urban areas and is the richest country on the continent; it is also a country with one of the highest rates of inequality between rich and poor in the world http://www.gcro.ac.za/sites/default/files/News_items/Xeno_reports_July2010/synthesis/3_Setting_the_scene.pdf). History of migration in South Africa dates back from 1652 when the great settlers led by Jan Van Riebeck arrived, leading to other South African ethnic groups moving from one place to the other parts of Africa, especially in the SAD region. This was followed by the migration of Indians and Chinese in the late 1800s. The development of racially exclusionary immigration legislation (Immigrants Regulation Act of 1913) which allowed white migration and immigration started spreading from 1910. Such Africans from the region have entered as contract and seasonal workers on commercial farms since the late 1800s. In the synthesis report, Peberdy states that immigration to South Africa in the 20th century covers the long history of state sanctioned black African temporary migration from southern Africa to the mines and commercial farms of South Africa as well as the tacit sanctioning of other forms of migration from the region, including "clandestine", or illegal migration.

Due to the troubled past of apartheid, South Africa was an outcast in international politics due to its racist policies. The Overseas Development Institute (1986) notes that air links were important for South Africa's international trade and commercial life. However, in 1986, the Commonwealth leaders (except Britain) agreed to ban air links with South Africa. This had a negative impact on South Africa's economy due to a loss of revenue due to lack of air links to many countries. This meant that South Africa was excluded from the international community, limiting the developmental ability of the tourism industry. Regional and international tourism to South Africa was curtailed. Rogerson & Visser (2004, p. 3) purports that "during the apartheid period, the country witnessed the expansion of a significant domestic tourism sector.....apartheid legislation also circumscribed the potential for domestic tourism, as the majority of the country's black population could not enjoy access to a number of facilities, most notably certain beaches, which were deemed the exclusive preserve of South Africa's white population". It can therefore be deemed according to Rogerson & Visser (2004) that the tourism industry under apartheid was anti-developmental, due to structural obstacles to the growth of the tourism industry. However, since the end of the apartheid regime, South Africa has seen significant changes in patterns of internal and cross border migration.

Despite the issues of migration, South Africa still struggles with its own socio-economic issues on the ground. Some issues include the South African systems such as governmental challenges, leadership, political, technological, etc. Besides, immigration being a process on its own; it involves multiple stakeholders, stages, processes and stages are inevitable. Immigration is one of the most politicised problems in South Africa. According to Stats SA (2010, 17),legal movements across South African borders as well as legal immigration into South Africa fall under the jurisdiction of the Department and Home Affairs. The number of people or travellers passing through South African ports continues to increase. Stats SA recorded a total of 35 291 559 travellers that passed through South African ports of entry in 2012 from 19 185 135 recorded in 2000.

TOURISM AND MIGRATION CHALLENGES IN SOUTH AFRICA

Several studies contextualise tourism and migration based on the geographic area or the events taking place. Work by Williams and Hall (2010), identify tourism and migration as two social phenomenon that

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overlap one another. They juxtapose the causal relationship of tourism and migration through definitions. Tourism and migration are intrinsically woven as tourism may generate migration flow in the process. It is therefore essential to identify common characteristics of tourism and migration which involves movement of people from one place to the other and economic opportunities such as labor migration and tourism job opportunities. Failure to identify illegal practices surrounding tourism and migration may negatively affect the beauty of tourism and migration. Following are some of the challenges.

Structural State of Affairs of South Africa

Negative economic condition that has affected developed countries, such as 'credit crunch' has had an effect on South African government decision to cost cutting. This has led to the government not being able to create job opportunities. The high rate of unemployment in South Africa is more profound in rural areas. Rural areas have less expertise due to the out-migration of skills, and less economic opportunities to provide employment and give residents a good standard of living due to (Briedenhhamn & Wickens, 2004, p. 71) dwindling rural industrialisation. The tourism industry has been identified as an opportunity to bring in highly sought after investments and money from tourists. This could address the rural-urban migration of poverty by providing local jobs in tourism for locals. Diversification of the economic base of the rural areas is important, as the tourists provide temporary migration to the rural areas. When tourism is developed with pro-poor principles, it can contribute to the diversification of the rural economy, especially for sectors such as agriculture. The adoption of tourism-led local economic development has seen tourism integrated into policy of the local governments. However, institutional challenges such as corruption, maladministration, poor financial controls, poor governance and lack of understanding of tourism, also contribute to the challenges of the tourism industry. These challenges limit the ability of local government to provide a conducive environment for tourism to flourish. South Africa needs to increase its share of the global tourism industry and it can only do that by ensuring that the aviation industry is supported to flourish.

The domestic and international aviation sector must be fully liberalised so that customers, and commerce alike, benefit from the increased competition, increased choice, lower prices, better connectivity, and increased frequency Aviation is threatened by threats for the introduction of carbon taxation on a transport network that does not benefit from government subsidies (excluding in cases of national flag carriers). In addition, the reduction in the growth of aviation, would only have a detrimental impact on tourism, destroy jobs. Carbon taxation, instead of being a solution, would rob airlines of the financial means to buy newer generation aircraft that would produce less noise, fly faster, for longer and produce lower emissions.

Safety and Security

Personal safety and security is one of the key challenges for the growth of the tourism industry in South Africa. As soon as potential tourists undertake holiday planning theyconsider increasing their personal safety and security as a determinant of the choice of destination, they will choose relative to other competing destinations. According to Hughes (1996, p. 172) "South Africa has the highest per capita rate of murder with a firearm in the world, the second highest for manslaughter, the second highest for rape rate, the fourth highest murder rate, the second highest assault rate, the fourth highest burglary rate and

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the fourth highest robbery rate". Overall, according to the Global Competitiveness Report 2011-2012 (2011, p. 17), South Africa's challenge include crime, violence and the sense that the police are unable to provide protection as a result crime do not contribute to an environment that fosters competitiveness. This means that South Africa as a destination is crime ravaged, and therefore crime would limit, curtail and direct tourists to certain areas, both domestic and international tourism.

Tourism is associated with the temporary migration of people from their normal areas of stay and work for the purposes of engaging in tourism, and leisure activities. The threat of burglary would limit the length of stay of domestic tourists away from home; this limits the developmental ability of the tourism industry because of crime. The fact is that Gauteng which houses the metropolis of Johannesburg and Pretoria is the economic heartland of South Africa and the most populated province. The province is highly urbanised and the temporary migration by Gauteng tourists to visit other provinces, peri-rural surrounding areas and outer lying areas would become targets. Limited involvement of the state to manage crime has led to the emergence of vigilantism in most formerly Black only townships. According to Todaro and Smith (2003, p. 94), there is very little scope for reducing the pressures of overpopulation in developing countries today through massive international migration. Crime has a detrimental impact on the tourism industry, firstly for product owners and tourists. The product owners have to invest significant amounts of money on securing their premises and assets due to the high rate of crime. In addition, concerns for personal safety and security may constraint tourist movement, and therefore geographically restrict the movement of tourists (also restricting geographically the tourism multiplier effect). Perception is an important function in customer decision making and crime is one such factor. Township tourism suffers from a negative image from a product offering perspective and about personal safety and security. Much needs to be done to change this image, and any failure to do so, will limit the developmental ability of tourism in townships, the place where the developmental impacts of tourism are mostly required.

"Undocumented" or "Illegal" or "Unauthorized" Migration

Another contributing factor to the challenges of tourism in South Africa, is the issue of illegal or undocumented immigrants. According to Hoogendoorn & Marais (2008, p. 81) high rates of crime in South African cities has created 'fear based' spatial distribution. This in turn affects the tourism industry, negatively. Hoogendoorn & Marais (2008) reiterate that whites feared for their personal safety and security, shying away from the central business districts (CBD) of major South African towns. This phenomenon perpetuated spatial distribution in the country. South Africa is faced with a challenge of overcrowding due to illegal and undocumented migrants in major cities of South Africa. For example, informal boarder trade and xenophobia attacks that took place in 2008 were due to high levels of unemployment in the country affected the tourism industry. South Africa has a developed mass tourism culture, which exists with a growing special interest tourism niche market. Hindson et al. (2009) assert that'addressing red tape is an important building block of a local economic development initiative'. It is crucial to highlight that Shaw and Williams (1994, p. 183) recognize that inmigration happen when the labour demands of the tourism industry exceed those of the local supply. South Africa's economic success compared to other African countries has led to a steady migration both documented and undocumented for job-seeking within South Africa. Nevertheless, South Africa's economic success continues to draw attention to immigrants; hence there is more demand on the economic slice of the country.

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SOLUTIONS AND RECOMMENDATIONS

The tourism industry is supposed to increase the standard of living of locals. It is important that locals derive benefit to increase and sustain the support of the local community. South Africa has a huge mass of unemployed, poorly skilled labour that competes with illegal migrants for entry level jobs in the tourism industry. The Ministry of Tourism and other stakeholders from public and private sector need to ensure that the labour laws of South Africa are enforced with regard to the hiring of labour. Good governance must be promoted. According to the United Nations (2012), governance refers to the exercise of political and administrative authority at all levels to manage a country's affairs''. Hyden& Court (2002, p. 5) purports that governance is the act of 'getting politics right', if not a precondition, at least it's a requisite for development. To emphasise on governance, Rodick (2006, p. 978) reiterate that governance was one of the most important second generation of reforms to advance economic growth in a country.

Therefore, this means that the state must administer its laws. One may argue that every bureaucracy must function properly in the administration of entry and exit into the country's borders. Checks and action must be initiated to address each breach of law and arrest and deport illegal and undocumented migrants. One may argue that the lack of illegal migrant labour may increase the ability of the tourism industry to create local jobs and benefit the local community. Therefore, the tourism industry may benefit from increased money circulation as there would be no economic leakage from the repatriation of money to the countries, from which the illegal labour comes from. Skilled migrant labour must be encouraged in areas of special interest to tourism such as medical tourism as the country builds the capacity for those scarce skills. For example, the Department of Tourism Management at the Tshwane University of Technology responded to industry's need to offer the first Bachelors Degree in Airports Management on the African continent. This will have a positive impact on improving the tourism industry.

The recommendations from the G20 report for the 4th T20 Ministers meeting in Mexico included visa facilitation as central to economic growth and job creation. The report by the UNWTO and the WTTC (2012), further identified visa facilitation as an opportunity to control migration which includes improved delivery of information, facilitation of the process to obtain visas, differentiation of treatment to facilitate tourist travel, instituting e-Visa programmes and establishing regional agreements. Proper facilitation of visa may improve collaboration between different countries and increase aviation industry's' economic endeavour. Furthermore, aviation is linked with the growth of commerce and the tourism industry. The increase of the aviation sector will provide the means for a quick transport network for South Africa, and ease the access to destination by both domestic and international tourists. The growth of tourism to South Africa through primarily aviation, would also lead to an increase in greenhouse gas emissions from aviation. As Friend of the Earth (2005) noted, aviation is the fastest contributor to climate change. Furthermore, Henama (2013, p. 4) adds that global emissions from international aviation account for 1% of total anthropogenic CO2 emissions.

Therefore, there is still scope for the growth of the aviation market segments domestically as the cost of air travel remains high. The emerging black middle class represents an untapped market, which is demographically in majority to other racial groups in South Africa. Dolnicar et al. (2011) notes that price is most important determining factor for choice of airline for people that are not frequent fliers. The increase in competition in aviation will lead to a greater focus on trying to retain current customers, through loyalty programmes such as frequent flyer programmes, and a greater focus on service. More-

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over, South Africa is a long-haul destination that has one of its main draw cards as the great wildlife, the hospitality of the people, and the diverse cultures available in South Africa.

CONCLUSION

According to Wood (2005) tourism has been a central dimension of globalisation, as the desire for travel and to be a tourist is practically universal. Hence, migration has become a new ''normal'' life (O'Reilly, 2007). The aviation industry has been an important industry in providing ease of fast paced transportation. As a result, the global skills shortage has led to the transportation of skilled human resources from any corner of the world to the site where the skills are required, which could be temporary and/or permanent arrangement. Greater global mobility for leisure or business has opened up new areas to a global population that is more connected by means of communication and travel. High amenity areas are attractive for residential tourism.

The sustainability of the tourism industry in South Africa depends on a robustness of the domestic tourism market. Tourism consumption is a function of disposable income and disposable time. Disposable income is imperative for tourism consumption is linked to the savings behaviour of tourists in the destination area (and inbound tourists from foreign countries). Discretionary income that is used for tourism consumption is regarded as the domain of individuals that are members of households. Financial literacy in addition to measures linked to increasing banking and savings access for South Africa is important to instil a culture of savings.

South Africa is a constitutional democracy with good institutions of governance. The post-apartheid era has corruption as one of the key challenges that impact on state capacity to function properly, and to govern. Corruption leads to institutional and governance decline, and the Department of Home Affairs which administers the borders of the country, has an entrenched culture of corruption. Acts of maladministration, corruption and poor governance impact on all levels of the bureaucracy and its ability to operate efficiently and effectively. This is especially imperative for the tourism industry, as tourism is frequently justified on the basis of its potential contribution to economic development (Mihalic, 2004, p. 81). Locations need to develop strategies for local development to remain attractive to companies and residents (Pechlaner, Raich& Fischer, 2009, p. 28). Research by Jean-Maurice Thurot indicates that tourists create an economic dependence by the host county (EdgelSr, 2008, p. 157). In search of remedies for a persistent slow employment of the tourism industry, it is evident the tourism stakeholders from the provincial, district and to the local level should be pioneers towards steering tourism economic development initiatives for success in the county. The involvement of prominent tourism stakeholders can't be bypassed.

The growth of the tourism industry should be through an increase in domestic tourism expenditure (and the growth of Black South African tourists) and the growth of inbound international tourism. The growth of domestic tourism is a function of economic growth of the country, and the tourism industry can increase its contribution to gross domestic product (GDP), and therefore drive the economy. In order for this to happen, South Africa needs to remove the barriers that limit the ability of the tourism industry, specially visa access and aviation constraints. Research conducted by Cheng (2012) in Hong Kong indicates that when China relaxed visa requirements, mainland China became the major outbound tourism market for Hong Kong.

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FUTURE RESEARCH DIRECTIONS

Future research must focus on the tourism industry's role in perpetuating low wages. This is related to the fact that the tourism industry is a supplier of jobs for the poorly skilled illegal migrant, in the context of South Africa having a high unemployment rate. According to Witz, et al. (2001) tourism is big business in South Africa and it is also about the repackaging of images that represent society and its past. The post apartheid era has presented immense opportunities for the packaging of many heritage linked tours that relate the story of more than 300 years of colonialism of a special type, and apartheid. The previously Black only townships are yet to fully exploit the tourism potential linked with dark tourism (and justice tourism). A model for be developed for township tourism for South Africa. The post-apartheid era has seen the emergence of many monuments that seen to preserve the history of apartheid and the struggle for liberation creating heritage sites. These heritage sites have been constructed as monuments that fail to communicate the unique story of each destination, as they have failed in packaging and communicating the detailed story of each site.

Considering that the significant migrant population that resides in South Africa, especially from the Southern African Development Community (SADC) much research is needed to find out their specific tourism needs so as to exploit the market potential. For the tourism industry in to succeed requires the collaboration between the private sector and the public sector. Much interest lies in the aviation industry, which provides the world's fastest logistic system, is important for tourism growth. All three major cities in South Africa play a huge role when it comes to realising collaborating with other airlines to exploit tourism potential. Johannesburg is the only South African city to be classified as a world city. Cape Town and Durban are port cities and are answers to South African trade when it comes to the economy of the country and the region.

The aviation industry needs to be liberalised. For example, there is a call for public ownership though a partial privatisation of South African Airways (SAA). SAA as the national flag carrier. Currently, SAA is under the political leadership of the Minister of Public Enterprises; therefore, partial privatization would enable SAA to become more efficient and effective in the delivery of services. It has been observed that SAA has become a perennial loss maker, due to inefficient practices. This is further compounded by the fact that the aviation operational environment is burdened by high operational costs, the unstable price of jet fuel, and consumer demand suppressed by a recession and low consumer demand due to rising cost of living. There is a need for the aviation industry to lobby for less government intervention through detailed research. The impact of the rising fuel price on aviation growth in the context of South Africa is a potential research area. Aviation laws in South Africa demand that domestic airlines be 75% owned by South Africa, which limits the ability of foreign competition.

A detailed study on the impact of altering aviation legislation to allow foreign airlines to compete domestically without the requirement for the 75% local ownership is paramount. Hence, there is a need for further research concerning tourism and migration within the aviation industry. There is a need for the study that connects crime, migration and tourism. It is without a doubt that tourism is an industry that is sensitive to changes in the environment and at the tourism destination. Any concerns whether real or perceived, about personal safety and security may depress tourism demand. Tourism may have increased in political esteem; however it does not enjoy the same esteem like agriculture, mining and textiles manufacturing in the psyche of decision makers and the media. Therefore, through the Ministry of Tourism, there is a dire need to launch detailed research projects on the relationship between tourism and crime in South Africa. This research project should involve each province in the country and one

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of the main findings would be to investigate the benefit of a tourism police under the authority of the South African Police Service (SAPS). Tourism police will be assigned to the major tourism nodes in the country and help to achieve what the Tourism White Paper (1996, p. 28) sought to achieve, undertake actions and strategies to reduce crime and violence on tourists. The existence of a tourism police must be assisted by the bureaucracy with special measures for prosecution and special courts for the speedy prosecution of cases.

Terrorism is another issue that negatively affects the tourism industry in the world. However, South African government remains vigilant because the country has not been unlucky for the past years. For example, South African continues to see an increase on the international tourism source markets that are significant, which include United States and the United Kingdom .According to Gauteng Tourism Authority (2013) Gauteng is the most visited province by foreign tourists amounting to 46.3% of all foreign visitors, and it is vulnerable to downturns in arrivals from foreign countries when source markets have economic challenges. This means that the tourism revenue from foreign tourists is geographically concentrated in Gauteng, defying plans for greater geographically dispersal of tourists within South Africa. This further limits the development ability of tourism if it will be geographically concentrated in Gauteng. Much research must be undertaken to find out the reason that tourism remains geographically concentrated in Gauteng, and what can be done to make it geographically dispersed within the various provinces of South Africa. According to United Nations (1999), tourism is one of the external forces influencing the direction and options for local development. Tourism-led local economic development has been become standards practise in trying to bring development to localities as part of devolution of power to give local government more entrepreneurial. Research must be undertaken to assess the success of local economic development in South Africa in general, and specifically tourism-led local economic development. The failure of tourism-led local economic development can limit the abilities of localities to tap and exploit their key selling points, packaging them and selling them as product offerings for tourism consumption.

The sustenance of these markets is vital for the growth of the tourism industry. South Africa major cities have grown in stature as international destination for business, and leisure. Pretoria and Cape Town, which are the administrative capital, and the seat of Parliament respectively continues to attract politicians, dignitaries and very important people (VIPs). Johannesburg remains the economic hub and the gateway to Africa, whilst Durban remains an entertainment and a playground for tourism activities. 'South Africa is like Hong Kong' and has a low chance of terrorist attacks compared with Western countries, it remains a potential target for terrorist attacks (Chan & Lam, 2013, p. 202). The emergence of BRICS countries has diversified the tourism market for South Africa, which has heavily depended on the United Kingdom and the United States for international inbound tourism. The Peoples Republic of China which is a member of BRICS has surpassed France as the fourth most important international inbound market for South Africa. This has reduced the risk from market failure for South Africa whilst presenting new markets, which South Africa must tap into based on detailed market research and market intelligence. As Oxford Economic (2010) noted, there is little knowledge of the travel habits and needs of emerging nations. South Africa would need to engage in inter-disciplinary research to understand the travel needs of emerging tourism markets, whilst consolidating the 'cash cow' markets such as the United Kingdom and the United States. According to Visa (2013) the popularity of Asian countries is on the rise-China, Hong Kong, Singapore and Thailand also proving to be popular destinations.

The rise of Asian countries must be researched, along with constant market intelligence gathering. The success of destination South Africa in attracting greater levels of domestic tourism and inbound

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tourism is linked to the increased marketing outlays informed by detailed marketing research and market intelligence. According to Deloitte (2012) noted that the Africa is the second largest mobile phone market after Asia, presents many opportunities for marketing using especially social media. The future of South Africa tourism will remain dominated by wildlife as the key major selling point but cultural tourism, has much potential for growth, in enriching the tourist experience. As a continent, African countries can do more to promote tourism. According to Ashley & Mitchell (2005) '' whilst Africa contributes little to global tourism figures, tourism contributes significantly to African economies... tourism is disproportionally important to Africa compared to other continents''. The challenges that limit tourism growth in South Africa specifically and African generally must be researched, that limit tourism and potentially the migration of high end tourists. African land arrivals to South Africa remain substantial, and the continued lack of attention from policy markets is regrettable. Detailed research must be done to understand these markets and their potential for destination South Africa. The migration patterns from African land arrivals must be considered within the context that there is a legacy of migrant labour from neighbouring countries.

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KEY TERMS AND DEFINITIONS

Border Management: Facilitation of authorized flows of business people, tourists, migrants and refugees and the detection and prevention of illegal entry of aliens into a given country. Measures to manage borders include the imposition by States of visa requirements, carrier sanctions against transportation companies bringing irregular aliens to the territory, and interdiction at sea. International standards require a balancing between facilitating the entry of legitimate travellers and preventing that of travellers entering for inappropriate reasons or with invalid documentation.

International Law: The legal principles governing the relationships between States. More modernly, the law of international relations, embracing not only States but also such participants as international organizations, and even individuals (such as those who invoke their human rights or commit war crimes). Also termed law of nations, public international law, *jus gentium*.

Irregular Migration: Movement that takes place outside the regulatory norms of the sending, transit and receiving countries. There is no clear or universally accepted definition of irregular migration. From the perspective of destination countries it is illegal entry, stay or work in a country, meaning that the migrant does not have the necessary authorization or documents required under immigration regulations to enter, reside or work in a given country. From the perspective of the sending country, the irregularity is for example seen in cases in which a person crosses an international boundary without a valid passport or travel document or does not fulfil the administrative requirements for leaving the country. There is, however, a tendency to restrict the use of the term illegal migration to cases of smuggling of migrants and trafficking in persons.

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Long-Term Migrant: A person who moves to a country other than that of his or her usual residence for a period of at least a year, so that the country of destination effectively becomes his or her new country of usual residence. From the perspective of the country of departure, the person will be a long-term emigrant and from that of the country of arrival, the person will be a long-term immigrant.

Passenger: A person riding in a vehicle (boat, bus, car, plane, train, etc.) who is not operating it.

Passport: A government document identifying a person as a national of the issuing State, which is evidence of the holder's right to return to that State. In Western traditions, passports have been used for foreign travel purposes, not as domestic identity documents. The passport is the accepted international certificate or evidence of nationality, although its evidentiary value is *prima facie* only.

Sponsorship: The act of promising financial support for a nonnational seeking entry to the State. Some States require either sponsorship or proof of adequate income as a condition for certain categories of immigration status.

Transit Passengers: Persons who arrive in a State from another country while in transit to another (third) country destination; and throughout the whole period (up to a maximum of 24 hours from the time of arrival) during which they are in the State, remain on board the craft they arrived on, or in a port or airport secure area, or in the custody of the police.

Transit Visa: A visa, usually valid for three days or less, for passing through the country issuing the visa to a third destination.

Transit: A stopover of passage, of varying length, while travelling between two or more countries, either incidental to continuous transportation, or for the purposes of changing planes or joining an ongoing flight or other mode of transport.

Transportation: The movement of goods or persons from one place to another by a carrier.

Travel Documents: Generic term used to encompass all documents which are acceptable proof of identity for the purpose of entering another country. Passports and visas are the most widely used forms of travel documents. Some States also accept certain identity cards or other documents.

Traveller: A person who passes from place to place, for any reason.

Visa: An endorsement by a consular officer in a passport or a certificate of identity that indicates that the officer, at the time of issuance, believes the holder to fall within a category of non-nationals who can be admitted under the State's laws. A visa establishes the criteria of admission into a State. International practice is moving towards issuance of machine-readable visas which comply with ICAO (International Civil Aviation Organization) standards, printed on labels with security features.

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APPENDIX

Ports of Entry/Exit in South Africa

The tourism industry in South Africa has transformed over the year is such that South African government identify tourism as one of the key industries to boost the economy and the key to economic development. According to the South African Migration (SAMI), different types of visa available for migrants coming to South Africa contribute to the number of people travelling to the country. The visas includes the retirement visa, corporate visa, work permit, study permit, citizenship, extensions of permit, temporary residence permit, permanent residence, spouse permit, medical permit, relatives permit, life partner residence permit, business permit, migration and investments, financially independent visa and migration. The above mentioned visas have both advantages and disadvantages concerning migration, regional tourism and urban development. For many, tourism is a cornerstone of a policy of urban development that combines a competitive supply able to meet visitors' expectations with a positive contribution to the development of towns and cities and the well-being of their residents (Cianga & Popescu; 2013, p. 35).The growth of tourism, especially international tourism has been added by the development of the aviation industry. According to Stanford (2000, p. 1) "air travel facilitates economic growth, world trade, international investment and tourism, and is therefore central to the globalisation taking place in many other industries''. Aviation has been at the forefront of making the world a truly global village, being the world's fastest transportation and logistics system. It is linking each corner of the world, through commercial aviation, playing an important role in migration. Moreover, the end of apartheid and policies such as affirmative action and preferential procurement has increased the participation of black people in tourism. A report prepared for the Department of Environmental Affairs (2003) highlights how tourism, specifically white shark tourists have changed the economic base of the town of Gansbaai from exclusively a fishing town. Moreover, the fascination about tourism by governments, policy makers and the private sector is motivated by the fact that tourism is a growth sector.

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Chapter 77
Population Growth, Governance and Urban Social Conflicts in Africa

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ABSTRACT

Many African countries are witnessing an increase in social conflicts with negative impacts on their development. Most conflicts are urban centered, with causes rooted in social, economic and political issues and fatalities, property destruction and displacement as outcomes. This chapter asserts that issues of growth and governance are at the heart of conflict, with growth challenging the ability of most governments to deliver services. The chapter undertakes a broad examination of social conflict in the African context with focus on understanding their cause and effects and the role that population growth, urbanization and governance play in country conflict situation. The chapter examined conflict in three countries; Algeria, Kenya and Nigeria, from a macro and micro level, along with the role that population growth, urbanization and governance play. The chapter concludes with findings and recommendations on ways to mitigate conflicts.

INTRODUCTION

There appears to be a growing number of conflict incidence in many developing countries resulting in violence, death and displacement, and the stifling of development potential. African countries are witnessing a disproportionate increase in the number of these conflicts with countries such as South Africa, Zimbabwe, Nigeria, Liberia, Algeria, Sudan, Kenya, Burundi, and Congo having protracted conflicts of different types and forms with roots at the intersection of social, economic and political issues. While reports indicate that these conflicts occur over the national space of countries, the most severe and destructive conflicts usually occur in urban areas, and are associated with outcomes that include fatalities, destruction of property, displacement of large population, dislocation of social and economic life, and the exertion of stress on emergency infrastructure. The consequences of the conflicts and their negative impact creates the need to examine and find ways to reduce their incidence and effect. In many

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societies, conflict is usually associated with diversity and difference which results in competition and friction, that ultimately leads to violence. In the African context, difference in ethnicity and values, along with competition for resources are generally advanced as the cause of most conflicts. There is, however, a growing perception suggesting deeper causative roots in patterns of community growth and state of governance. Many countries are witnessing a rapid process of growth that is challenging the ability of governments to effectively maintain social order, and deliver social opportunities and development goods. This has contributed to generating the frictions that has resulted in conflicts and points to the need for any meaningful examination of social conflict to be situated within the context of prevailing pattern of demographic change as well as the capacity and state of governance.

Available reports on social conflicts tend to focus on presenting particular episodes or country situation, along with their causes and suggestions for mitigation. There are few reports that examine conflict across national divides, particularly with focus on understanding how political context in terms of governance and its effectiveness impacts the state of conflict in different countries. This chapter seeks to fill this niche. The main thesis of the research is that cross country comparative examination of conflict will lead to a better understanding of their causes and to search for more effective ways of mitigation. Such examination would facilitate the understanding of local causes of conflicts, as well as the broad systemic cross country/community issues that generate conflicts. The focus of the research is on urban conflict in the African continent. The chapter's aim is to undertake a broad examination of urban conflict with a view to understanding the dynamics of the cause and effect of conflicts, and the particular role that population growth and state of governance play in country situation. The paper uses a case study approach, with focus on three countries; Algeria, Kenya, and Nigeria, reflecting differences in regional, social and national characteristics of the continent. The research adopts an empirical approach with focus on data collection, analysis and inference. Data for the research comes principally from the Social Conflict in Africa Dataset (SCAD), (Salehyan et al., 2012), and its follow up volume, the Social Conflict in analysis Database (Salehyan & Hendrix, 2014). The SCAD database identifies and reports on 10 different types of conflicts over a period from 1990 to 2013. Use of the SCAD database is complemented by other qualitative secondary sources. The next section of the chapter presents a review on urban social conflicts and an outline of the method of the study. This is followed by presentation of the state of social conflict in each country, along with an examination of population growth and state of governance. The third section present a comparatively analyses of the three countries. The chapter ends with a conclusion that summarizes the findings and proffers recommendations on ways to reduce and mitigate the effects of urban social conflicts.

Nature, Causes, and Dynamics of Urban Social Conflicts

Conflict, as Omenya & Lubaale (2012, p. 4) pointed out is generally associated with situations where individuals or groups have different and sometimes contradictory interest, creating potential for clash. Conflict is translated into violence when individuals or groups forcefully impose their wills on others. WHO (2002, p. 5) defines violence as the "intentional use of physical force or power, threatened or actual against oneself, another person, or against a group or community, that either results in, or has a high likelihood of resulting in injury, death, psychological harm, mal-development or deprivation." Conflict is general accepted as a natural attribute of societies and social systems, and action is always focused on looking for ways to prevent its degeneration into violence (Best & Rokodi, 2011, p. 5). Cities are generally recognized as fostering conflicts because of the concentration of people in them

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(Omenya & Lubaale, 2012, p. 4; Stanisland, 2010). Best and Rakodi (2011, p. 48), in this respect, point out that "in cities, people with different identities live in close proximity to each other, competition over resources and opportunities can be intense, new ideas can reach people quickly, and it is relatively easy to organize and mobilize large number of people." They further point out that conflicts generally arise over differences in interests and goals and the unequal power positions of groups. There also appears to be an association between the level of group and inter-personal conflicts with the size of a community, which implies that larger cities or communities are more likely to have more conflicts than smaller ones (Knox and Pinch, 2008, p. 210; Best and Rakodi, 2011, p. 48). On the translation of conflict to violence, Best and Rokodi (2011, p. 19) note that while conflicts are an inevitable characteristic of societies and social life, its escalation into violence is not. Conflicts translate into violence, where sound institutional mechanisms do not exist to manage and mediate differences, bringing into fore the role of governance in conflict mitigation. Elaborating on the issue, Knox & Pinch (2008, p. 360-376) have highlight the fact that urban conflict is usually driven by need to have and protect access to the plethora of services and opportunities provided to urban residents, leading to the formation of coalitions that are the main protagonist in the fight for turf in cities. Sound public institutions and mechanisms are required to manage such 'Turf' fight to avoid conflict and violence

Based on an extensive examination of intra-state conflicts, Azhar (1990) has identified the dynamics in the development of conflicts as it translates into violence. The process is classified into three stages; preconditions or origin, dynamics of conflict development, and outcome. Factors identified as contributing to establishing conflict preconditions include communal content, human needs, governance and the role of the state, with communal content viewed as most significant in predicting conflict. Community refers to a group that has shared identities and values around ethnicity, religion, or language. The community groups have basic needs which they have to satisfy within a pluralistic setting, creating the framework for competition and conflict. Government mediation and action serves to address grievances and ensure equity, with failure in government performance of this role resulting in feelings of marginalization, domination and injustice, which fuels conflict and violence. The role of the preconditions as facilitators of conflict and violence has been reported in many studies (Asiyanbola, 2007; Adedeji, 1999; Bollens, 1999; Best & Rakodi, 2011). In this respect Bollens (1999) also suggests that cities are more likely to be the sites of protracted conflict and periodic violence when: they are characterized by ethnic differences but lacking legitimate political means of managing these differences; in polarized cities where governance structures are controlled by a dominant ethnic group that uses them to discriminate against competing and threatening groups; and in cities with weak or illegitimate governance and deep intergroup antagonisms.

The existence of preconditions in a city does not necessarily establish the stage for the evolution of conflicts and violence. Certain triggers usually create the dynamics that results in the translation of conflict into violence. Azhar (1990) has identified three of the common triggers: political action by communal groups, state response to such communal action, and built-in properties of the conflict. A number of recent research has been focused on understanding the 'tipping point', the moment when conflict translates into large scale violence. Omenya & Lubaale (2012) have associated it with increase in poverty, number of youths involved, and the level of political exclusion. Azar (1990) has identified four types of outcomes resulting from violent conflict: deterioration of security resulting in destruction of social and physical infrastructure; institutional weakness, including erosion of state capacity and social fabric; psychological stress resulting from fear and vicious circle of hostilities; and increased loss of control over communal groups which contributes to making conflicts protracted. Asiyanbola's (2007) study of two protracted warring communities of Modakeke (Ife, Nigeria) show that sustainable peace among

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conflict communities can only be achieved by policies that encourage social integration, psycho-social healing and transformation. This review points to need to address underlying issues, including poverty, access to opportunities, social equity, along with strong public institutions and mediation mechanism as means to mitigate conflicts.

The focus of the chapter is on urban social conflict that tips to the point of violence. The research addresses three particular questions; what is the state of urban social conflict in each country in terms of incidence and causative factors? what are the outcomes and impact of conflicts? what role do population growth, urbanization and state of governance play in conflicts, and how can conflicts be mitigated? The research examined the incidence of conflict in each country separately, along with analysis of country population growth pattern and state of governance. The state of conflict in each country is examined from both a macro and micro level view. At the macro level, focus is in on examining country urban conflict data. Data has been source from the SCAD Database version 3.1covering the period from 1990 to 2013. The SCAD database is viewed as providing a significantly improved coverage of social conflicts compared to other databases (Thaler, 2013, p.3). The database monitors incidences of conflict, their causes, actors, location and description of events. The Database classifies conflicts into ten and identifies fourteen causes of conflicts. In examining country state of conflict, focus has been on five classes that are deemed civil or community related. These are organized violent riots, spontaneous violent riot, pro-government violence, anti-Government violence and extra-government violence. For each country summary statistics has been used to establish the state of conflict, along with calculation of proportions of different classes of conflict compared to totals to establish difference among countries. At the micro level, examination of country state of conflict focuses on prominent case episodes with a view to understanding preconditions, process dynamics and impact. To understand the pattern of population growth and urbanization, data used is from Population Reference Bureau database (PRB, 2015). Population and urbanization data for 2010, 2015, 2030 and 2050 were used. With regards to state of governance focus has been on acquiring qualitative information from published sources, with information complemented by the use of country GDP information and GINI index. The Gini index is a commonly used measure of inequality based on statistical dispersion of a country's income distribution. The paper in discussing the result qualitatively relates findings regarding state of conflict with information about state of population growth and urbanization, and that of governance to arrive at individual country conclusions and the comparative analysis of the three countries to establish commonalities and differences in conflict statistics, cause and effect and their association with dynamics of population growth, urbanization and state of governance.

URBAN CONFLICT IN CASE STUDY COUNTRIES

Urban Conflict in Algeria

Located in the Maghreb region of North Africa, Algeria is usually grouped as part of the North Africa and Middle East (MENA) region. It has a 2015 population of 39.9 million, composed of a majority Arab and, a minority Berber population located mainly in the Kabyle region, and is 99% Sunni Muslim. The country's current border was defined by France, which colonized it in 1830, and from whom it gained independence in 1962 after a protracted war of independence. Independence saw the rise a political structure dominated by the *Front de Liberation Nationale* (FLN) as the sole ruling party (Arief, 2013).

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The country is a major exporter of oil, which is the bedrock of its national economy. The current GDP of the country is estimated at 187.2 billion US$ with a growth rate of 2.6%.

The preconditions for conflict in Algeria were established during the early phase of the country's development, with the evolution of a political structure dominated by a strong presidency and security apparatus following independence (Loyd, 2003, p. 5). Political life was dominated by a military elite network that Algerians refer to as *Le Pouvoir* (the powers-that-be). From the independence period, an unwritten social contract evolved between the state and people, whereby political rights and resources were abdicated by the people in favor of political despotism in exchange for social welfare and being looked after by the state (Lloyd, 2003, p. 5). The dominance of FLN and military elites in the political life of the country continued until the 1980s, when it was challenged as a result of the rise of an alternative political force in the form of an Islamic movement that evolved from university activism. The Islamic movement built its challenge on the inability of the government and FLN to deliver the social contract (Arief, 2013, p. 5). The challenge took the form of mass protest which started in 1988 and was violently suppressed. Suppression of the protest contributed to the loss of reputation by the ruling elites and, to a large measure, to the change in the political landscape. To arrest and correct the situation, a process of reform focused on political liberalization was initiated resulting in the introduction of a new constitution and multi-party democracy in 1989. The reform enabled the Islamic movements to galvanized together into a coalition that established a political party, the Islamic Salvation Front (FIS). FIS subsequently evolved as one of the major actors in the most protracted conflict that Algeria has witnessed.

Analysis of Algerian Conflict Data

The SCAD data base reports a total 305 incidence of conflicts that resulted in violence in Algeria between 1990 to 2013. Out of this, 109 or 31% is associated with civil or social conflicts. The five topmost issues accounting for violence are Human rights and democracy (24.6%), Economy and jobs (15.4%), Religious discrimination and issues (12.8%), Ethnic issues and discrimination (11.15%) and domestic war and terrorism. In terms of location, with location unspecific data discounted, the report indicates that 174 or 57.1% of incidences occurred in urban areas compared to 43 or 14% in rural areas. Figures 1 and 2 shows chart and map with location of cities with the highest conflict incidence. Figure 1 shows the capital city having the highest incidence of conflict. It is also possible that if nationwide location unspecific data is disaggregated to location, the incidence count in the capital city may increase reinforcing an indication that conflict is centered around it. Another interesting aspect of the chart is the high incidence of conflict in the Kabyle region. The kabyle region, which integrates cities that include Tizi Ouzou, Bejaia and Boumerdes, is the focus of conflict related to Berber Identity. The Region is characterized by industrial decline and unemployment which serves as a major precursor for violence and migration out of the country. This region along with Algiers accounts for most of the conflicts that was witnessed within the period of concern in Algeria.

Case of the Post 1991 Algerian Election Conflict

The most protracted and violent conflict in Algeria occurred in 1991 following an election. The dynamics of the conflict began with the broadening of political space for multi-party activities resulting in elections of 1991. The liberalization of political space, led to the emergence of FIS as a party with values rooted in Islamic and Arabic identity as a challenger to the ruling power elite. (Lloyd, 2003, p.

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Figure 1. Chart showing cities with highest incidence of conflicts in Algeria

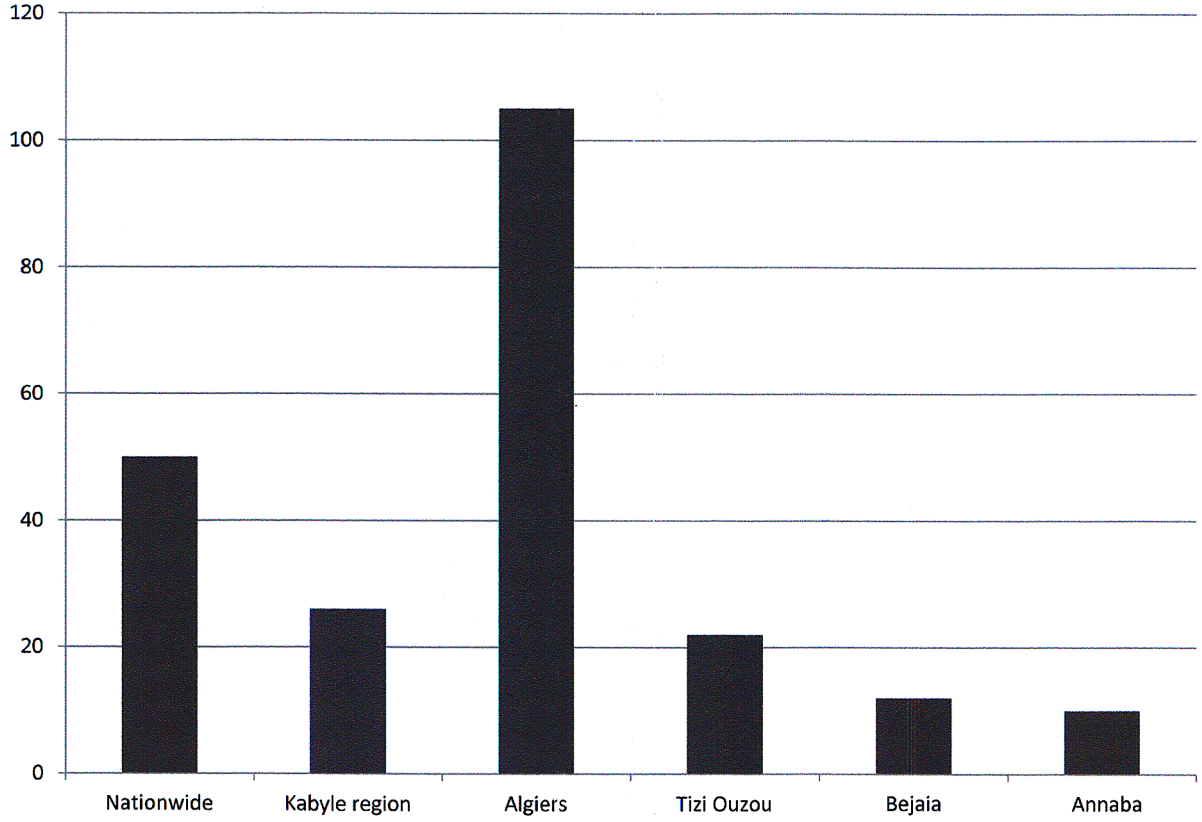


Figure 2. Map of Algeria showing location of cities with highest incidence of conflicts



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7). FIS participated in local elections that were held in June of 1990, winning the highest proportion of the popular vote and control of many local municipalities. The ruling party (FLN), while not contesting the results, initiated an adjustment exercise to redefine constituency boundaries and weaken the victory of FIS. Following victory in the election, FIS agitated for further change and elections, setting the stage for legislative elections that were scheduled for December 1991. More than 50 political parties took part in the first round of that election, which FIS won, though with a reduced margin compared to the previous election. FIS was however able to secure enough votes to garner two-thirds majority in the National Assembly, enabling the Party to have the power to change the constitution of the country. Just before the second round of the legislative election, the president of the country resigned and the military stepped in, cancelled the election and declared a state of emergency. Reaction was initially calm, but it gradually changed leading to sporadic outbreak of violence. The outbreak of violence led the military government to dissolve FIS and apprehend and imprison all its leaders. The vacuum created by the imprisonment of the leaders was filled by jihadist returning from the war with the Soviets in Afghanistan, who splintered FIS into different groups that engaged in violent conflict with the government for most of the period between 1992 and 1998.

The outcome of the conflict saw more than 200,000 people killed, many injured and whole communities traumatized. During the peak of the conflict, it is estimated that about 200 people were killed weekly, with most of the fatalities in the capital and its neighboring regions (Lloyd, 2003, p. 18). Particularly targeted were schools and intellectuals, who were seen as symbols of Francophone elitism. More than 700 schools were destroyed and over 200 teachers killed. The impact of the violence was exacerbated by factional competition within the security forces that influenced the conduct of counter insurgency measures leading to atrocities against many segments of the society. The armed insurgents, differentiated mostly by ideology, also engaged in brutal actions including terrorist attacks and the massacre of civilians. The conflict peaked in 1994 when the then President of the country Boudiaf was assassinated by his bodyguard while giving a speech in Annaba, in an attempt to render the government ineffective. This was complimented by a Fatwa issued by the insurgents for all foreigners to leave Algeria. An Air France Airbus plane was also hijacked at Algiers airport and flown to France, with threats to crash the plane into the center of Paris (Lloyd, 2003, p. 18). The conflict came to an end in 1998, following the initiation of talks by eight opposition parties that called for a return to peace based on the re-legislation of FIS and the freeing of imprisoned activist in return for a gradual end to violence and the rejection of violence as a means to attain power (Arief, 2013, p. 7).

Population Growth, Governance and Conflict in Algeria

From a population perspective, Algeria has experienced significant population growth that is projected to continue into the future. Estimates put the country's population at 25 million in 1990 and 39.9 million in 2015, and is project to increase to 49.9 and 60.4 million by 2030 and 2050 respectively. The demographic distribution is bottom heavy, with 28% of the 2015 population below the age of 15, with implication for future demand for services and opportunities. The country is also urbanizing, with current level estimated at 70% and a growth rate of 0.9%. Majority of the urban population are in 37 cities, having a population of hundred thousand or more. There is a prevalence of small cities of between 100,000 to 200,000 population in the urban system, with only four cities having population greater than half a million.

From a political perspective, there is a general perception of government in Algeria being dominated by an elite class that has maintained a strong grip on the political institutions of the state (Lloyd, 2003,

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p. 37). People also perceive governance as being characterized by bureaucracy and corruption and inability to foster a sense of inclusion, particularly across gender, language and religious divides (Arief, 2013; Lloyd, 2003, p. 37). As a result, many, Algerians feel disconnected from politics and tend to harbor a deep resentment for the government because of the difficulty of living conditions. The state is also accused of overlooking some regions and constituencies, creating a feeling of exclusion and fostering conditions for conflict (Arief, 2013, p. 6). Loyd (2003, p. 23) also points out that perceptions about the government has pushed inequality and social justice to the heart civil strife throughout the years of Islamist protest and of recent Kabylie uprisings. An examination of the country's indices of inequality show a rich 10% to poor 10% of the population ratio of 9.6, and A GINI index of 35.5 in 1995. The indices suggest the existence of a level of inequality, despite the lack of currency of some data. There also appears to be an acknowledgement in the academic literature of the poor management of the national economy by the ruling elite. Algeria has had economic problems since the 1980s following the imposition of structural adjustment by the International Monetary fund. Pertinent economic issues and problems identified include "slow job creation process, poor business climate, including rigid labor market and barriers to foreign investment that are among the most restrictive in the world, stagnant labor productivity, high level of social spending on subsidies and wages and an economy dependent on hydrocarbons and public expenditure (Arief, 2013, p.12)." The economic problems of the country have contributed to its mounting social problems that are compounded by population growth. Unemployment, for example, has been rising since 1985, with those in the 25 years and below cohort having consistent rate of about 60%. Lack of employment has forced many to migrate in search of opportunities outside the country (Mussete, 2000; Lloyd, 2003, p. 8). Other prominent social problems include housing shortages and poor state of educational resources and infrastructure (Loyd, 2003, p. 6; Arief 2013, p. 7). The economic and social problems contribute in a significant way to establishing the pre-conditions that have generated the conflicts witnessed in the country (Arief, 2013, p. 11).

An overview of the state of conflict in Algeria from a population growth and governance perspective indicate a country with a fairly fast growing population, a high level of urbanization but poor political and economic management. The result is unemployment, lack of social opportunities, a growing perceptions of inequity in treatment, and disenchantment with the country's political state. These fundamental issues lay the framework for the level of conflict that has been reported in the SCAD data base as well as for explanations of the causes of conflicts reported. The SCAD data is, in this respect, in agreement with opinions expressed in the literature with regards to cause of conflicts. This agreement centers on the assertion that capacity in governance has not developed in ways that enable Algeria to effectively deal with development challenges resulting from population growth.

Urban Conflict in Kenya

Kenya is located in the Eastern part of Africa, sandwiched between five countries; Tanzania, Uganda, South Sudan, Ethiopia and Somalia. The 2015 population of the country is estimated at 44.3 million, with a GDP of 65.9 Billion US$. The country is multi-ethnic and multi-religious, with the dominant ethnic groups being the Kikuyu, Luo, Embu, Meru, Kamba and Somali tribes. The kikuyu and Luo are the largest of the ethnic groups. Most of Kenya's land is arid or semi-arid, with only 7% of the land arable and the focus of agriculture activities and settlements (APRM, 2006). The history of Kenya's territory is traceable to the Berlin conference when East Africa was partitioned. The British Government founded the East African Protectorate in 1895 and soon after, opened the fertile highlands to white settlers. Indians

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were later brought to the country to work on building the Kenya-Uganda Railway Line, and subsequently settled, many also inviting their kins to join them. In 1942, some tribes of Kenya, including the Kikuyu, Embu, Meru and Kamba, took an oath to fight for freedom from colonial rule, leading to the formation of the Mau Mau Movement and a rebellion against British rule. The rebellion resulted in direct elections for Africans to a legislative council in 1957, and finally to independence in 1963, with Jomo Kenyatta, the leader of the Mau Mau Movement emerging as president. After independence, Kenya evolved as a de factor one party state, with the situation institutionalized in in 1982, when the country's constitution was amended. The situation was reversed in 1991, with annulment of the one party state and the introduction of multi-party democracy. The introduction of multi-party democracy resulted in the expansion of political rights and the number of registered political parties. The democratic space of the country witnessed further opening following elections in 2002, which saw Mwai Kibaki, who was leader of a coalition of opposition parties, emerging as the third president of the country.

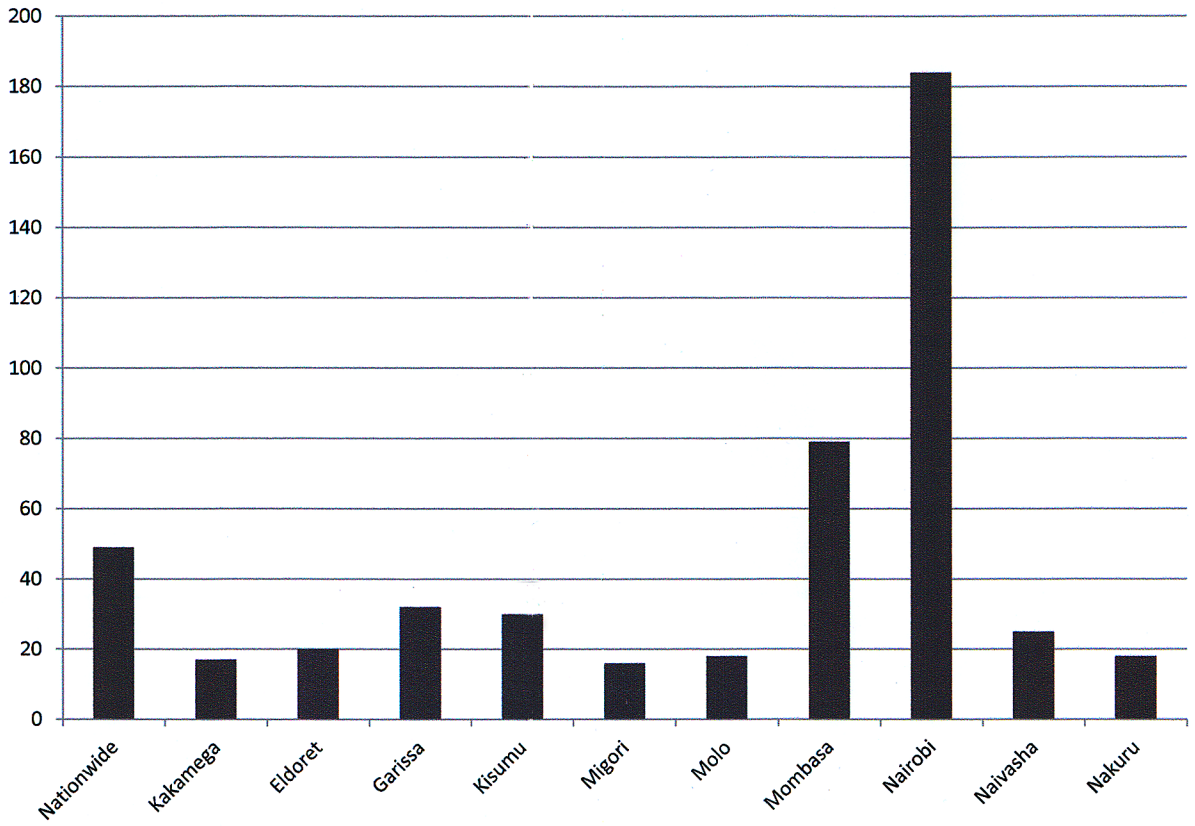
Kenya was generally viewed as a relatively peaceful, economically progressive and politically stable East African country before the 2007 election violence (Muzrui, 2008). Ethnicity and the competition for access to opportunities via the instrument of politics and political office were the principal preconditioning agents for conflict in the country. The preconditions have existed as fault lines since the colonial period following the expropriation of land from certain ethnic groups and the redistribution of the land to other ethnic groups (Onyango, 2011, p. 147). This was viewed as having resulted in lopsided economic growth and wealth among selected ethnic groups and a general rise in ethnic sensitivities. It also contributed to enhancing mistrust between the different ethnic groups, and also between the groups and the government. The situation was exacerbated following independence, as political office holding evolved as a means to facilitate access to resources and opportunities for the various ethnic groups. The Luo and the Kikuyu, who were aligned to the ruling KANU party at independence were, believed to have been favored in access in contrast to other ethnic groups. Thus, when the country's first president Kenyatta died and Arap Moi came to power in 1978, he found the government, military, police and intelligence along with most of the available fertile land, and private sector activities open to Africans were dominated and controlled by the Kikuyu. He acted by initiating reform aimed at changing the situation in favor of members of his tribe and allies. The actions contributed in furthering mistrust between the different tribal groups and, to a large extent, accounts for the worst urban conflict witnessed in Kenya, following the December 2007 elections.

Analysis of Kenyan Conflict Data

The SCAD data base reports a total 593 incidence of conflict that led to violence in Kenya. Out of the number, 433 or 81.3% is associated with civil conflicts that resulted in violence. The five topmost issues that accounted for conflicts are elections (12.5%), human rights and democracy (11.1%), Economy and jobs (7.5%), and religious discrimination and issue (4.9%), and ethnic issues and discrimination (3.9%). In terms of location and, discounting conflicts with lack of clarity in location, the data shows a total of 234 (39.5.1% total) incidences occurring in urban areas, compared to 202 (34.5%) incidences in rural areas. Figures 3 and 4 shows chart and map location of cities with the highest incidence of conflict. The data suggests that conflict is principally centered on and around the capital city. Another interesting aspect is the high incidence of conflict evident in other secondary large cities including Mombasa, Garissa and Kisumu.

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Figure 3. Chart showing cities with the highest incidence of conflict in Kenya



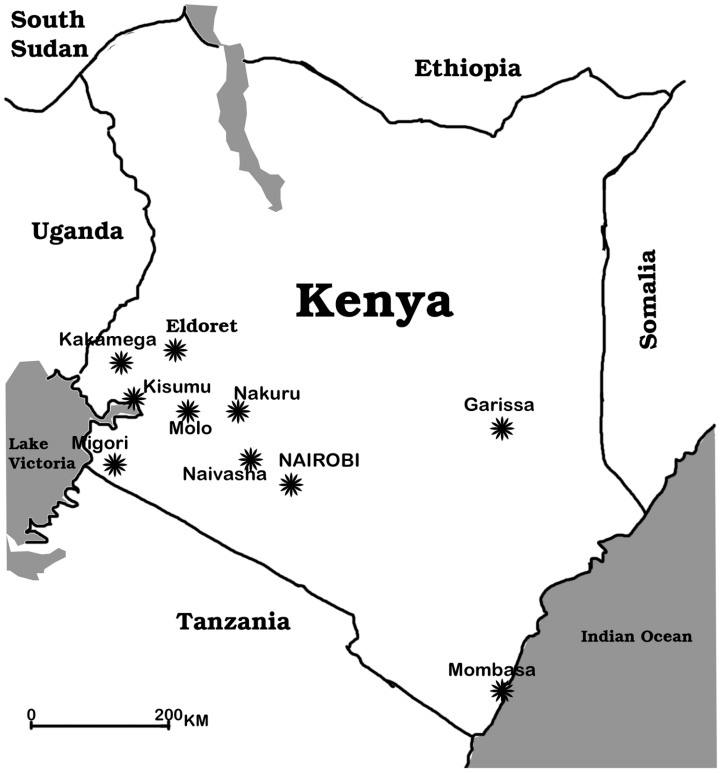
Case of the Post 2007 Kenyan Election Conflict

Kenya witnessed its most violent conflict following general election held on the 27th of December 2007. The election saw an incumbent Mwai Kibaki and his Party of National Unity (PNU) running against Raila Odinga, the candidate of the Orange Democratic Movement (ODM). After an election and counting process that was viewed as flawed, Kibaki was declared the winner and hastily sworn in, amidst rumors of rigging and malpractice. Almost immediately, violence erupted across the country as ODM-affiliated communities targeted ethnic groups thought to have supported Kibaki, and the latter responded with retributive attacks. Over the next two months, the violence escalated into spirals of revenge attacks. The outcome included more than a thousand people dead and over 350,000 displaced, destruction of property and general disruption of social and economic life. By the time the violence ended, over 1133 lives were lost; 3561 people were injured, and about 600,000 Kenyans became Internally Displaced Persons (IDP). The violence also caused significant political and socio-economic losses, with over a billion US dollars or 3.25% of GDP and 400,000 jobs lost (Okumu, 2009).

The violence stopped when a group of eminent persons lead by the former United Nations Secretary General, Kofi Anan, intervened and brokered a reconciliation agreement between the candidates. The agreement provided for the formation of a grand alliance between the warring parties, changes to the structure of government, Synchronization of the manifesto of the two parties and the implementation of

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Figure 4. Map of Kenya showing location of cities with the highest incidence of conflict



a reconciliation and building program that would cover the whole country. A National Accord Implementation committee was established to facilitate the synchronization and implementation of programs. In parallel to this, three additional bodies were formed to aid the reconciliation process; The Truth Justice and Reconciliation Commission, The Commission of Enquiry on Post-Election Violence, and Independent Review Committee on the 2007 Elections. Through these bodies truth, reconciliation and healing was to be brought to Kenya and its people. The parties also agreed on a process and roadmap for comprehensive constitutional reform, which will strengthen the institutions of Governance and address the long term differences that contributed to the violence.

Population Growth, Governance and Conflict in Kenya

Kenya has a population that is growing and is set to continue growing. Its population was estimated 20 million in 1990, 44.3 million by 2015, and is projected to increase to 60 million and 81.3 million by 2030 and 2050 respectively. Population trend points to a significant increase and to impending challenges in terms of expanding services and opportunities to cope with the demands of growth. The country's demographic distribution is also bottom heavy, with 41% of the population below the age of 15 years, pointing to the future continuity of expansion and associated challenges. The low urbanization level of the country currently estimated at 25% is indicative of potential for future urbanization with implications for both management and services provisions. The country's urban system has a total of 30 cities with a population of a 100,000 or more, with three of these having a population of more than half a million.

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Most of Kenya's cities are in the 100,000 to 200,000 range pointing to prospective future urbanization and demand on the governance system.

Governance in Kenya, as earlier pointed out, is principally characterized by the politicization of ethnicity and its use as an instrument to acquire state power as a means to material accumulation (Lynch, 2006, p. 49; Oyugi, 2000, p. 13). Lynch (2006, p. 49) has observed that economic prosperity and development has evolved being understood by local-level actors as being directly linked to having members of one ethnic group in power, which in turn enable material benefit "in the form of employment opportunities, access to land, loans and localized development projects". Lynch (2006) goes on to point out that negotiation and renegotiation of ethnicity in Kenya has ultimately become linked to how political representation and redistribution works in the country. The situation has also engendered a discourse of belonging and exclusion based on "an understanding of ethnic others as 'immigrants' and 'guests'" (Jenkins, 2012, p. 576). This situation has also created the conditions for conflict, as bottom up processes of identification and violence interact with incitement from above in the quest for the political use of identity" (Jenkins, 2012, p. 576). The process has led to the evolution of elections as being as much about who would get power and control of state resources as it was about how to exclude other ethnicities from the control of state resources. Oyugi (2002, p. 13) also points out that the use of state power as an instrument of acquisition has meant that those who benefited over the years from access have used every trick available, including mobilizing ethnic support to sustain such power. Politicization of ethnicity has, therefore, evolved as the "single most intractable problem in Kenya (Onyugi, 2002, p. 3)" and has been associated with promoting a feeling of inequality, lack of access to opportunities by different groups, and fueling conflict and violence. This apparent inequality is also reflected in statistics about Kenya, which shows a relatively high social inequality, with an average Rich 10% to Poor 10% of the population income ratio of 13.6, and A 2003 GINI index of 58.5 in 1995.

The politicization of ethnicity and ethnic polarization in politics has also resulted in poor economic management and decline, as public policy becomes directed at parochial benefits rather than for social development of society. Thus by 1980, decades of policies to advance ethnic interest had significantly impacted the economy in a negative way, leading to the introduction of structural adjustment policies. This led to drastic increase in poverty by the 1990s with conflict implications, as social exclusion and marginalization widened and discontent spread over the country (Bujra, 2005).

In summary, examination of the state of conflict in Kenya from a population growth and governance perspective reveals a country that is growing fast and gradually urbanizing, but with a government that is characterized by ethnic polarization and interest, rather than focus on national development and interest. Access and opportunities are driven by kinship affiliations rather than by benevolent governance that takes care of the needs of all social groups in an equitable manner. This has engendered divisions that have evolved as the main driving force in urban social conflicts.

Urban Conflict in Nigeria

Nigeria is located in the West Coast of Africa, bordering the Atlantic Ocean and sharing borders with Benin Republic, Niger, Chad and Cameroun. The History of Nigeria started in 1914 with the Amalgamation of Northern and Southern Nigeria into one country by the British colonial administration. The country became independent 1960 with a political structure that had it organized into regions. This structure has transformed over time into a federal one with a powerful central government and 36 semi-independent states. Nigeria is multi-ethnic, with more than 250 ethnic groups as well as multi- religious. The Hausa,

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Yoruba and Ibo are the largest groups located in the Northern, Western and Southern part of Nigeria respectively. The dominant religions are Islam and Christianity, even though both are characterized by a multitude of sects with different ideological leanings. Nigeria's population is currently estimated at 181.8 with a GDP of 515B US$. it is Africa's most populous country and the world's fifth largest oil producer

The preconditions for conflict in Nigeria arise from its population distribution and group value orientations with implication for access to opportunities, resource control and value conflicts. Hostilities became a feature of independent Nigeria because of an imbalance in regional population distribution. More than half the nation's population are in the Northern region, with implication in terms of access to political power. This has been a source of friction and was the reason for a rebellion and civil war in 1966. The reconciliation that took place after the civil war led to political stability and the emergence of the country as one of the wealthiest in Africa due to its petroleum reserves. The period also saw the dissolution of political organization based on regions centered on ethnic groups to a federal arrangement with states and a strong federal government. Additional states have been created over time to satisfy the yearnings of ethnic groups but this has always resulted in the demands for more.

Analysis of Nigerian Conflict Data

The SCAD data base reports a total 1492 incidences of conflict that led to violence in Nigeria. Out of this, 1034 or 69.3% is associated with civil conflicts that result in violence. The five topmost issues accounting for violence are domestic war, violence and terrorism (associated mostly with Boko Haram) (15.4%), Religious discrimination and issues (13.6%), Economy and jobs (11.3%), Human rights and democracy (8.77%) and Elections (7.2%). In terms of location of conflict, and discounting non –location specific data, analysis shows a total of 790 (52.9%) incidences in urban areas, compared to 322 (21.6%) incidences in rural areas. Figures 5 and 6 shows chart and map of location of cities with the highest incidence of conflict. The graph shows that the capital city has the highest incidence of conflict. It is also probable that if location unspecific incidences were distributed to particular locations, then the incidence in the capital city will likely increase, suggesting that conflict is principally centered on it. The graph also indicates a strong urban bias in the distribution of conflicts with the largest cities having the highest occurrence; thus cities like Kano and Lagos which are the largest cities in Nigerian have the highest count of conflict incidence.

Case of the Jos, Plateau State Conflict

Jos town in Plateau State and the areas around it is at the center of one of the most protracted conflicts in Nigeria. The Area was originally populated by indigenous groups including the Afizare, Anaguta and Berom. As a city, Jos was established during colonial period for tin mining activities. It attracted migrants from all over Nigeria to work in the mines and with the colonial administration (Krause, 2011, p. 10). The original layout saw Jos divided into three parts; a Government Residential Area for colonial administrators, a Native Township mainly for the Hausa from the North, and a Township for people from southern Nigeria. Since the establishment of Jos, there has been a long standing competition over land and political control between indigenous groups and the Hausa/Fulani community, who insists that they settled on virgin land that was not owned. In 1991, administrative restructuring led to Jos being divided into 3 local governments (Jos North, South and East). This action exacerbated the contentious issue of issue of land ownership, as the indigenous population alleged that the move was designed to enable the

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Figure 5. Chart showing cities with the highest incidence of conflict in Nigeria

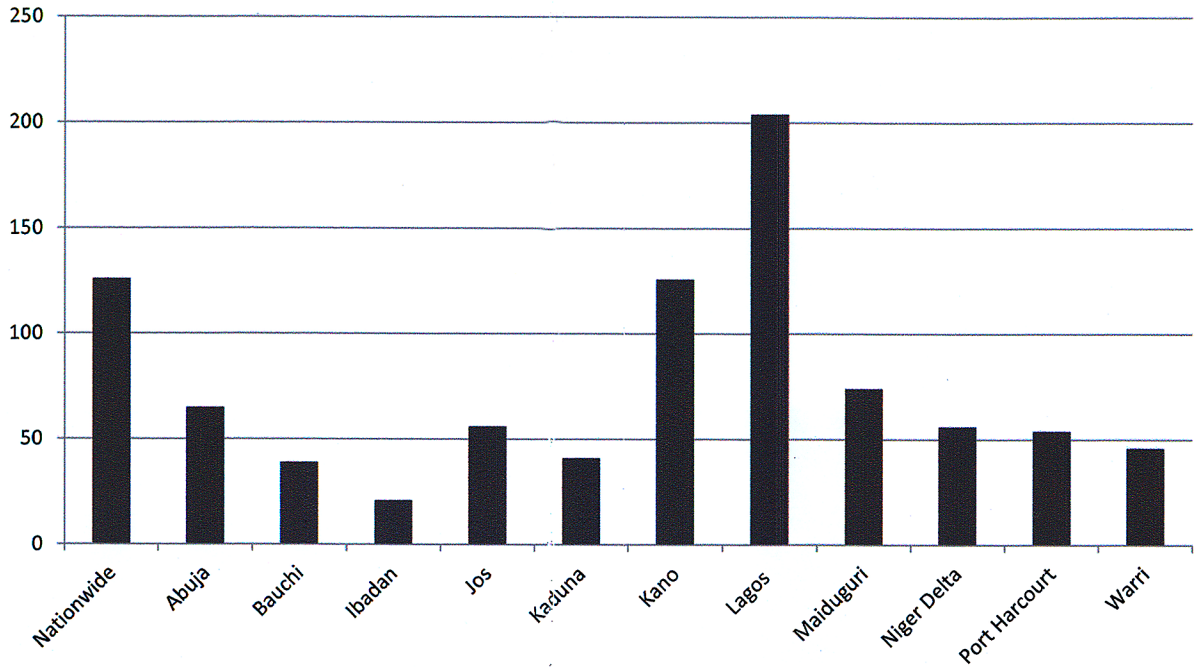
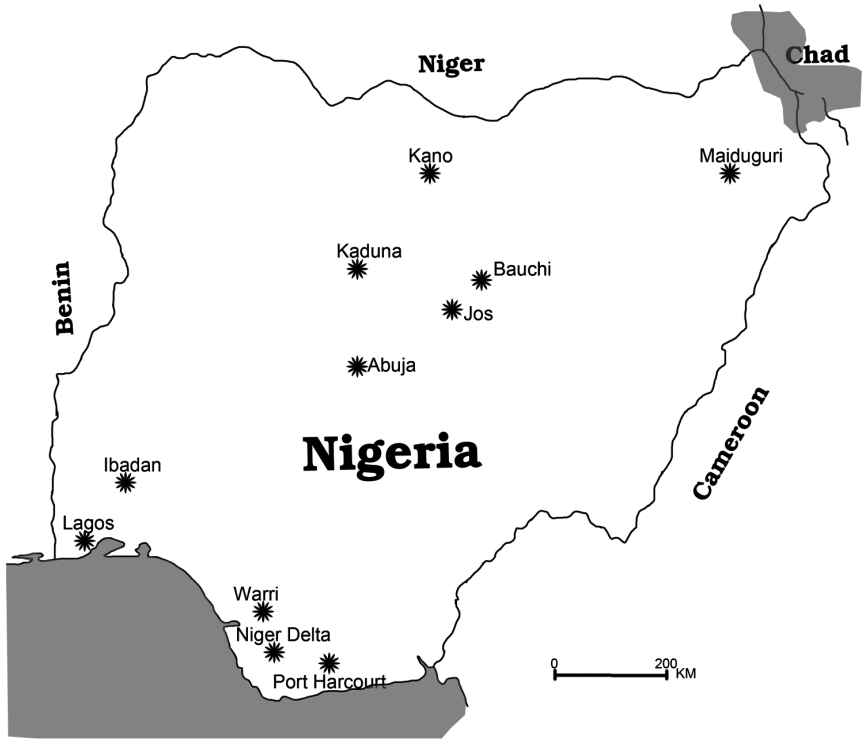


Figure 6. Map of Nigeria showing location of cities with the highest incidence of conflict



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Hausa Fulani take control over Jos North Local Government. An attempt to appoint a Hausa Fulani as administrator of the Jos North local government was resisted by the indigenous population. Protest by rival groups resulted in death of four people in April 1994. On September 7, 2001, another conflict was triggered by an allegation that a Christian woman pushed her way through a Muslim congregational prayer. By September 12th, the event had turned into a full fledge confrontation between Christians and Muslims that spread all over the city and claimed many lives. On November 29th 2008, another conflict started and turned violent following local government elections. The conflicts and associated violent confrontations has continued at a low level of intensity to the present moment in 2015, with occasional outburst resulting in death and destruction. Over the period of the conflict from 2001 to the present, between 4000 and 7000 people are estimated to have been killed. More than 220000 people have been internally displaced. Properties have been destroyed on a massive scale and all sides have suffered a considerable loss of means of livelihood. Violence has also reshaped the city as neighborhoods have become religiously segregated thereby altering the pattern of residency, business, transportation and trade (Krause, 2011, p. 9). This has served to increase poverty as spheres of activity become limited.

Population Growth, Governance and Conflict in Nigeria

Nigeria, the largest of the three examined, has a population of 84.9 million in 1990, which increased to 181.8 million (214%) by 2015 (PRB, 2015). The country's population is projected to increase to 261.7 and 396.5 million by 2030 and 2050 respectively. By 2050, Nigeria is anticipated to be the third largest country in the world after India and China. The country's demographic distribution is bottom heavy with 44% of the population below the age of 15 years. The country's urbanization level is at 67%, with an urban growth rate of 1.9%, the fastest of the three countries examined. The country has a total of 74 cities in its urban system with population above a 100,000. Twelve of these cities have a population of a million or more with Lagos, the commercial capital, having a population of 13million. About 13 cities have a population between half a million and one million with the remaining 52 cities having a population of 100,000 to half a million.

Governance in Nigeria has been shaped by its population distribution and multi-ethnic and multi-religious character. The diversity of ethnic groups and the distribution of population with a predominantly Muslim north, a predominantly Christian east and a mix Muslim- Christian west has elevated religion to an issue of social contention and conflict. Religion, both as an identity and as a value system, has evolved as the focus of rivalry between constituent parts of the country (Best & Rakodi, 2011, p. 11). Rivalry across religious and social identity lines is exacerbated by a population distribution that has the Muslim north having advantages in terms of access to political power because of its size. This dominance of the north generates fears of religious domination and contributes to generating conflict with ethnic "others" (Krause, 2011, pp. 9-10). The fear of domination appears to push both politicians and religious leaders to urge their followers to vote along religious lines in elections, further entrenching divisions. This rivalry, with its focus on access to resources and supremacy of identity or values (Krause, 2011, p. 10; Best & Rakodi, 2011, p. 11), is manifested in reality in competition for federal power and resources, in inequality in access to opportunities and in difference of views about legal regimes in the country (Best & Rakodi, 2011, p. 1). The political situation in Nigeria pushes Idowu (1999) to conclude that it suffers from a lack of democracy due to the structure of its federal system, which encourages ethnic loyalties and fails to develop a national consciousness. The failure of the state to also manage diversity and prevent violence has contributed in a large measure to the geography of violent clashes that are witnessed

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in the country and their increase in frequency. Even where government organs are able to act, research reports suggest that intervention is usually characterized by ineptitude and partiality that contributes to undermining popular confidence in state institutions. The ineptitude of state institutions also translates into an inability to hold sponsors and perpetrators of conflict to account, contributing to increasing distrust about commitment to justice in governance (Best & Rakodi, 2011, p. 78).

Nigeria has not fared better that the other countries reviewed above in the management of its economic development. Following the oil crisis of 1973 and increase in the price of oil, Nigeria became a very wealthy country with per capital income jumping to over a $1000 dollars per year. Poor economic management led to a waste of the resources without the critical investment needed in vital infrastructure. By the 1980s when the price of oil slumped, Nigeria entered into an economic crisis and had to implement a Structural Adjustment Program at the prompting of the World Bank. Within a short period of implementation, the country witnessed a drop in average income by more than 75%, rapidly growing indebtedness, a general lack of industrialization, and growing poverty. This was unfortunately happening at a time when population was growing rapidly and the national physical and social infrastructure was collapsing and unemployment increasing. Parallel with this development was the growing issue of corruption in governance that has seen public funds diverted to private use rather than for social development, and recently by a religious insurgency that has devastated the North Eastern part of the country. Among the current economic problems that the country is facing include reduced investment, over dependence on oil as source of income, collapse of the agricultural sector, increasing reliance on imported goods, rising rural urban migration, increasing urban unemployment, a shrinking state sector, inflation, and increasing poverty. The impacts of the problems are not uniform across the country's social fabric in view of pronounced and increasing inequality. This inequality is evident in statistical reports which indicate a ratio of the wealth of the richest 10% to the poorest 10% at 17.8 times and a GINI index of 48.

The examination of state of conflict in Nigeria from a population and governance perspective show a rapidly growing and urbanizing country with diverse constituent social groups and a governance system that has not been able to socially manage society in a way that addresses sources of conflict, or manage the national economy in a way that expands opportunities and guarantees access to all social groups for harmonious existence. The governance systems also shows a lack of will to manage conflict and hold people accountrable for their actions. The situation has resulted in high youth unemployment and expanding poverty, both preconditions of conflict and triggers of violence.

Comparative Analysis of Conflict in the Three Countries

The examination of conflict in the three countries from the SCAD database suggest that they each have a significant incidence count that appears related to their population size. Nigeria with a 2013 population size of 173.6 million has a violent incidence count of 1034, While Kenya with a population of 44.3 has a total of 433 incidences, and Algeria with a population of 39.2 has a total incidence count of 305. A simple regression analysis of country population as predictor of conflict incidence returned a positive result with an r^2 0f 0.98 indicating a strong correlation. This is also supported by the examination of conflict location, which across the three countries shows conflict taking place more in urban areas than in rural areas, with cities having larger population generally being the location of a larger number of conflicts. An examination of the causes of conflict in the SCAD database also shows that the three countries have similar issues. A tabulation of the top five causes of conflict and their ranking leads to the identification of three prevalent issues that generate conflict; human rights and democracy, economy and jobs and

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religious discrimination. These could essentially be translated to mean a desire for political access and participation, social opportunities and respect for values and identity. Across the three countries, these issues are also important preconditioning factors in the case incident of violent conflicts examined.

An examination of trends also indicates that the three countries are witnessing a significant transformation with regards to population growth and urbanization. All the three countries have had tremendous population expansion in the period from 1990 to 2015 and are projected to further witness tremendous future population growth. Nigeria and Kenya are projected to have an increase of more than 300% between 1990 and 2030, while Algeria, with the least growth, is projected to increase by over 200%. The countries are also urbanization with Nigeria and Algeria having levels of 67% and 70% respectively, and Kenya having the least level at 25%, but with a growth rate of 1.7%.

A review of the literature and an analysis of the causes of conflicts also points to evident issues in governance in the three countries. There are indications in all the countries that the planning and management of growth and development has not been effective in anticipating needs and equitably expanding opportunities to all segments of the population. This has produced the competition by social groups across multiple-divides that accounts for most of the frictions that have translated into violent conflicts. Exclusion is sometimes complemented by security regimes that appears to target and persecute specific social groups contributing to social tensions. Corruption and economic mismanagement also feature prominently in discussions about the countries examined.

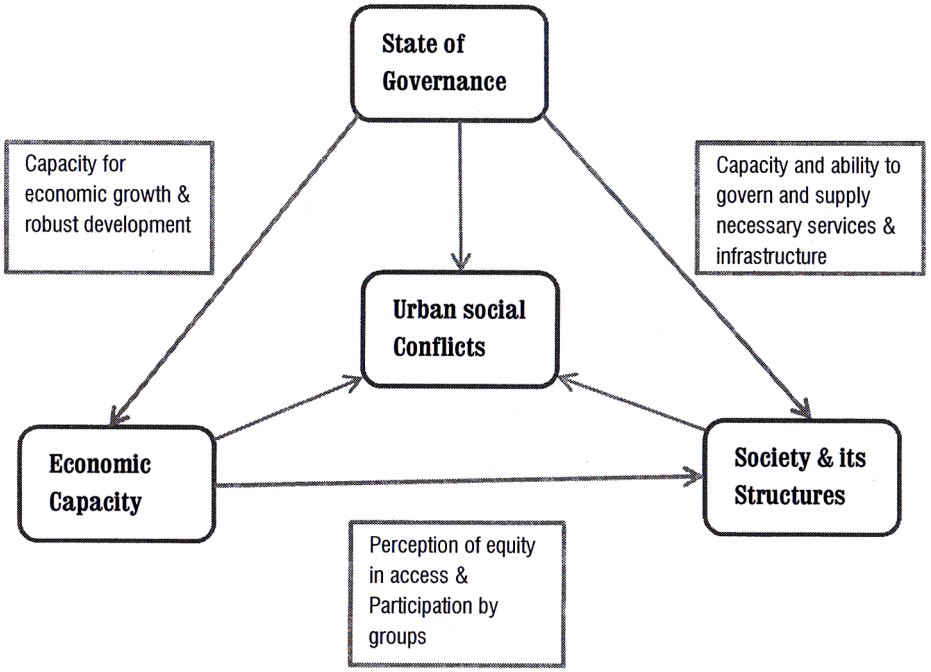
Based on the analysis of the three countries, it is possible to develop a model of the relationship of urban social conflicts to governance based on a concept of distributive justice. Figure 7 shows the model and its basic components. Social conflict is situated at the cross point of issues relating to governance, society and the economy. In governing, states manage both society and economy. They manage economies by ensuring that opportunities are being created to meet the needs of their society. They also manage society in ways that promote participation, protect rights, ensure accountability and mediate between different groups to ensure social cohesion. The management of a society also requires the promotion of equitable access to opportunities, both social and economic. Where governments are effective in anticipating needs arising from community change, and are able to manage both political and social processes and national economy in ways that supply needed development goods, expand opportunities and inclusiveness, ensure equity in access, as well as manage differences in ways that are just and equitable, then the probability of conflict will be significantly reduced. Where economic growth and opportunities are not expanding to cope with demand and the access to them is viewed as unequal, this leads to a competition among interest groups that lays the condition for conflict and violence. From the model's perspective, population growth and urbanization are not in any way generators of conflict. Rather, they lead to increase in demand for development goods and opportunities and also for effective governance. In doing so they contribute to exacerbating conflict pre-conditions.

CONCLUSION AND RECOMMENDATIONS

The chapter examined urban social conflicts in Algeria, Kenya and Nigeria with a view to understanding the dynamics of the cause and effects of conflicts and the particular role that population growth, urbanization, and the state and capacity of governance play in individual country situation. Results from the analysis of the three countries show that they all have a significant amount of social conflicts reported, with a higher proportion occurring in urban areas. Analysis also points to a strong relation-

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Figure 7. Conceptual model of the relation of governance to social conflicts



ship between reported incidence and country population. The countries also share common causes for reported conflicts, with political access and participation, availability of social opportunities, particularly jobs, and values and identity as the major forces shaping conditions for conflict. The study also shows that the three countries have a fairly fast growing population, along with an urbanization process at different stages of development in terms of level. Evidence from the study leads to the conclusion that while population growth and urbanization contribute to exacerbating preconditions for conflict, they cannot be held accountable as causes of violent conflicts. Rather it is the manifest failure in governance to plan and meet the social aspirations of societies and ensure social equity, access and accountability that largely accounts for the conflicts witnessed. It also explains the inability of the countries to exploit opportunities from the population growth and urbanization trend for societal development. The failure of governance accounts for the reasons why elections, economy and jobs, human rights and discrimination are advanced as the main causes of urban conflicts.

From the examination of the three countries, it is apparent that any attempt at addressing general issues related to population growth and urbanization and particularly the issue of urban social conflicts in Africa and the developing world must start with efforts at improving governance. Effort must be exerted to promote good governance, and our concept of good governance must address pertinent issues including participation that must inclusive, equity in access to opportunities for social groups, protection of rights, good economic management, and establishment of public order and legal institutions that ensure accountability. It is only when such a concept of governance is promoted in the developing world would conflicts be minimized enabling societies to exploit opportunities from demographic change and advance in a more peaceful and stable way.

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KEY TERMS AND DEFINITIONS

Conflict: A situation of disagreement between individuals or social groups with potential to lead to violence.

Ethnicity: Refers to the classification of people according to their tribal affiliation or identity.

Governance: Refers to structures for the management of the social affairs of people at different spatial scales including local, city, regional and national.

Religion: Systems of beliefs and values held by individuals.

Urban Area: In the context of the research refers to a place with a population of a 100,000 people or more.

Violence: Refers to a situation where conflict results in physical engagement that leads to injury or death.

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Chapter 78
Promoting Agricultural Productivity and Inclusive Growth in Uganda

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ABSTRACT

Although many countries in the world including Uganda witnessed high rates of economic growth in the last three decades, the strong growth has failed to holistically deliver the expected prosperity. Amidst Uganda's strong growth of about 7% per annum, of the recent decades, poverty, unemployment and inequality have remained pervasive especially in the rural areas; an indication that the growth process has not been pro-poor and inclusive of the deprived. Agriculture which is the sector employing majority of Uganda's poor has also not developed much; within the same period the sector grew at an average rate of 2% per annum and its productivity has remained considerably low. This chapter reviews the trending conception of inclusive economic growth, and its relevance to Uganda's development process. In its final section, the chapter assesses the factors that affect agricultural productivity and it discusses the most effective means of raising productivity in order to make the growth process of the country more broad-base, pro-poor and inclusive.

INTRODUCTION

Many countries in the world have achieved high rates of economic growth for nearly three decades since 1990, with a few witnessing slowdown in growth following the global financial crisis that began around 2008. As observed by the World Bank (2013), although it is believed that economic growth should generate virtuous circles of prosperity and opportunities, strong growth of the last three decades in many developing countries have not translated into the expected development outcomes.

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The World Bank (2014) estimated that about 2.4 billion people lived on less than US $2 a day in 2014, and that even after 2015 more than 1 billion people will still live in extreme poverty. Worldwide, more than 200 million people are believed to be unemployed (ILO, 2014). OECD (2012) explains that in most countries, the growth of recent decades has been accompanied by widening inequality. Economic growth in the recent decades did not benefit all groups equally. Similarly, Oxfam (2014) estimates that the richest 85 people in the world own the same amount of wealth as the bottom half of the world's population (3.5 billion people). The record levels of growth seem to have failed to tackle three key global problems of poverty, unemployment, and inequality.

Rising living standards, not economic growth per se, is what societies expect their leaders to deliver. In many developing economies, fairly sustained strong growth has lifted many people out of absolute poverty but improvements in living standards have not kept pace with GDP growth. This experience is most apparent in Eastern Europe and fast-growing emerging Asian economies such as China, India, and Vietnam, and some African economies including Uganda, Zambia and Kenya. Worse still, some countries, including Chile and Mexico have witnessed widening inequality amidst stellar growth (World Economic Forum, 2015).

Literature shows that economic growth is often unequivocally tied to a correlating improvement in employment levels (Felipe & Hasan, 2006). However, over the recent three decades increases in growth have not resulted into expected comparable increases in the numbers of jobs. Felipe & Hasan (2006) estimated that in the 1980s it took 3% GDP growth to generate a 1% increase in employment, but in the 1990s this changed significantly and it then took an 8% percent increase in GDP to get the same result.

The International Labour Organization (ILO) estimates that over 1 billion people are employed in world agriculture, representing 1 in 3 of all workers (ILO, 2015). Agriculture is a significant source of food for citizens and a means of livelihood for the most vulnerable members in most developing countries. According to the World Bank (2014), about 70% of the world's poor live in rural areas, and agriculture is their main source of income and employment. In Africa, agriculture employs about 65% of the labor force and accounts for 32% of gross domestic product. Improvement in agriculture and its productivity is thus fundamental to achieving food security, poverty alleviation and overall sustainable economic development. Raising agricultural productivity must be an important policy goal for governments and development agencies.

Considering that the large share of the working poor is engaged in agriculture, targeting this sector in development may have major impacts on welfare throughout the world. Most literature seems to agree that investments in agriculture and rural development, both private and public, stimulate economic growth and development (World Bank, 2008; IFPRI, 2012). Similarly, good agricultural performance has been very significant in reducing poverty and hunger rates in the more successful countries. The World Bank (2008) also established that agricultural productivity growth has a high poverty reduction pay-off than non-agricultural growth or investments.

For the period from 1990 to 2010, the Ugandan economy achieved high GDP growth rates; real economic growth averaged 7%. However, the record growth has not been able to benefit all sections of the population; significant proportions of the country's population including smallholder farmers still remain impoverished, unemployed or marginalized (World Bank, 2013). Uganda Bureau of Statistics (UBOS, 2015) reported that the high performance of the Ugandan economy has been accompanied by structural changes, with a steadily declining share of agriculture and increasing shares of industry and services. Uganda's high growth process has therefore not been inclusive since the larger proportion of its

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population (those engaged in agriculture) has been bypassed by the growth process. Most farmers have missed the benefits of growth as indicated by the entrenchment of poverty, unemployment and exclusion.

Recent statistics from the government indicate that Uganda's agriculture employs about 72% of all workers but contributes only about 23% of the GDP (UBOS, 2015). The farmers are primarily rural based, and have a lower standard of living than those working in other sectors. The majority of Uganda's poorest people are smallholder farmers living in remote areas. The country's agriculture is characterized by smallholder farming with hand hoes as the major production tool. The average farm size of the smallholders is 1.2 hectares. The farmers produce various commodities mostly for subsistence.

The major food crops include maize, rice, millet, bananas, sorghum, cassava, and potatoes. The farmers also produce pulses, fruits, and vegetables. Yields are low across all these commodities. Smallholders use traditional farming techniques; they lack capital for modernization, expansion and purchase of vital inputs. They also lack access to financial services to give them the most needed capital. The biggest challenge to Uganda's farmers seems to be low productivity.

Considering that the large share of Uganda's working poor are farmers and that agriculture is the main productive base of the economy, targeting this sector for development may have major impacts on welfare, economic growth and inclusion. This chapter assesses the factors that affect agricultural productivity and proposes some methods of raising productivity, in order to make the growth process of the country more pro-poor and inclusive.

STUDY AREA

Uganda is a landlocked country astride the Equator, about 800 kilometers inland from the Indian Ocean. It lies on the northwestern shores of Lake Victoria, extending from 1 degree south to 4 degrees north latitude and 30 to 35 degrees east longitude. As shown in figure 1, the country is bordered by Tanzania and Rwanda to the south, Democratic Republic of Congo (DRC) to the west, South Sudan to the north,

Figure 1. Map of Uganda showing the major towns and the neighboring countries
(World Atlas, 2015)



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and Kenya to the east. With a land surface of 241,550.7 square kilometers, Uganda occupies most of the Lake Victoria Basin. It has a total population of about 37 million people (UBOS, 2015). The country is blessed with fertile soil and ample rainfall.

Uganda's rural areas account for 85% of the population and 94.4% of the poor, while the urban areas account for 15% of the population but only 5.6% of the poor (World Bank, 2015a). Despite the progress achieved to date in some areas such as security and education, there is little cause for complacency, as most development indicators still remain deficient. A few indicators are shown in table 1.

DEFINING AGRICULTURAL PRODUCTIVITY

Fulginiti and Perrin (1998) define agricultural productivity as the output produced by a given level of input(s) in the agricultural sector of an economy. Similarly, Olayide and Heady (1982) define it as the ratio of the value of total farm outputs to the value of total inputs used in farm production.

Productivity of agriculture is measured as the ratio of final output, in appropriate units, to some measure of inputs. Singh and Dhillion (2000) suggested that "yield per unit" should be considered to indicate agricultural productivity; many scholars have criticized this suggestion pointing out that it considered only land as a factor of production, disregarding other factors. Many scholars believe that agricultural productivity should contain all the factors of production such as labor, farming experiences, fertilizers, availability and management of water and other biological factors (Dharmasiri, 2009; Zepeda, 2001).

Measures of productivity are categorized as partial or total measures depending on the number of inputs considered as discussed below.

1. **Partial Measures of Productivity:** are the amounts of output per unit of a particular input. Commonly used partial measures are yield (output per unit of land) and labour productivity (output per economically active person or per agricultural person-hour). Yield is commonly used to assess the success of new production practices or technology. Labour productivity can also be used to indicate rural welfare or living standards since it reflects the ability to acquire income through sale of agricultural goods.

As emphasized by Dharmasiri (2009), productivity of land is very important because land is the most permanent and fixed factor among the three inputs of land, labour and capital. Land productivity may be raised by applying input packages consisting of improved seeds, fertilizers, agro-chemicals and labour intensive methods, or by applying crop diversification in a season on the same land.

Table 1. Basic information on Uganda

Total population	37 million (2015)
Gross Domestic Product (current US$)	$26.3 (2015)
GNI per capita (atlas method)	$660 (2014)
Agricultural households' population	4.2 million households
Percentage of workers employed in agriculture	72%
Agriculture contribution to total GDP	23.2 (2014)

(UBOS, 2014; UBOS, 2015; World Bank, 2015a)

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Productivity of labour is a vital determinant of the income of the population engaged in agriculture. Labour productivity has two important aspects: i) it profoundly affects national prosperity; ii) it principally determines the standard of living of the famers. Agricultural labor productivity may be enhanced through training and increase of incentives or wages. Capital in terms of land purchase or development, drainage, irrigation equipment, livestock, feeds, seeds, agricultural implements and machineries, crop production chemicals should also be given priority as a factor for enhancing agricultural productivity.

Generally, the quality of the three major inputs: land, labour and capital is still very poor in Uganda, and they are not optimally utilized. As a result, both yields and labor productivity are very low. Although the partial measures are used to assess agricultural-production performance, often because they are easy to estimate, the measures normally show higher rates of growth than Total Factor Productivity (TFP).

Output is measured as a function of the conventional inputs (production factors): capital, labour, land and raw materials that are under the control of the farmers and for which markets exist. This is because growth in land and labor productivity may result from more intensive use of inputs including fertilizer and machinery rather than TFP increase. Using the partial measures can be misleading as they ignore the role of other inputs in any observed output changes. Due to this shortcoming, a total measure was developed.

2. **Total Measures of Productivity:** TFP is the ratio of total output (crop and livestock products) to total production inputs (land, labor, capital, and materials). It is the ratio of output value to the value of inputs (IFPRI, 2013). An increase in TFP implies that more output is being produced from a constant amount of resources used in the production process.

According to Zepeda (2001), TFP is also defined as the ratio of an index of agricultural output to an index of agricultural inputs. The index of agricultural output is a value-weighted sum of all agricultural production components. The index of agricultural inputs is the value-weighted sum of conventional agricultural inputs; including land, labour, physical capital, livestock, chemical fertilizers and pesticides. TFP measures are often preferred because they are generic.

As observed by the World Bank (2015b), improving agricultural productivity will play a key role in achieving food security and reducing poverty in Uganda. Achieving high agricultural productivity requires investment in education especially of women, improvement of rural infrastructure including roads, water sources, communication and markets. These must also be complemented by private investment in inputs such as fertilizers, farm machines, and vehicles.

The Inclusive Growth Concept

A key policy challenge preoccupying leaders around the world is expanding social participation and benefits of economic growth. Correspondingly emphasized in the Inclusive Growth and Development Report 2015 (WEF, 2015), major international organizations including the World Bank, IMF, WTO, WHO and OECD are calling upon policy makers to design appropriate policies to strengthen growth and make it more inclusive and sustainable over time based on the perception that strong growth is clearly compatible with social cohesion.

According to DFID (2012), inclusive and sustainable economic growth is crucial for long-term poverty reduction. Inclusive growth should be characterized by people's ability to participate in, benefit from, and create wealth and jobs from growth. Literature on inclusive growth unanimously concludes that for

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growth to be inclusive equity must be a component of growth and at the same time growth must be pro poor (OECD, 2012; Anand, Mishra & Peiris, 2013; CAFOD, 2014).

The World Economic Forum (WEF) defines inclusive growth as output growth that is sustained over decades, is broad-based across economic sectors, creates productive employment opportunities for a great majority of the country's working age population, and reduces poverty. They reiterate that inclusive growth is about both the pace and pattern of economic growth (WEF, 2015).

Ianchovichina and Lundstrom (2009) stated that that: (i) for growth to be sustained in the long run, it should be *broad-based* across sectors. Issues of structural transformation for economic diversification therefore take a center stage; (ii) it should also be *inclusive* of the large part of the country's labor force, where inclusiveness refers to equality of opportunities in terms of access to markets, resources and unbiased regulatory environment for businesses and individuals. Given the widespread poverty and unemployment in Uganda, leaders and policy makers need to focus on redistributing the benefits of growth.

After witnessing average GDP growth of about 7% for about two decades, Uganda's economic growth has dipped. Beginning 2011 to date, GDP growth has averaged 4%, a rate considerably lower than those recorded by the neighbouring countries of Kenya, Tanzania, and Rwanda (World Bank, 2015b). Uganda's stellar economic growth is therefore not being sustainable in the long term. The record growth process has not been inclusive since a larger proportion of its population (especially farmers) continues to miss the benefits of growth as indicated by the entrenchment of poverty, unemployment and exclusion.

Why the Ugandan Government Should Urgently Embrace Inclusive Growth

1. **Economic Growth Sustainability:** When the poor farmers who have mostly been bypassed by growth and development get to benefit from the growth process, they will become more involved in it. Engaging the farmers will enhance their capacity to better educate their children and undertake investments that will ultimately lead to sustainability of economic growth.
2. **Poverty Reduction:** Inclusive growth is pro-poor, targeting those deprived, commonly based in rural areas. Empowering these segments of the population will significantly lead to poverty reduction. This has already been witnessed in Egypt, Burkina Faso, Ghana, and Zimbabwe (UNDP, 2013a).
3. **Equity:** Involving the disadvantaged sectors or segments of a population in productive economic activities will hopefully augment redistribution of income across the population. Achieving equity is a realistic way of fostering balanced development which can ultimately reduce rural urban migration with all its associated predicaments. Considering that Ugandan smallholder farmers are more unprivileged, targeting them in the process of development is a viable way of ensuring equity.
4. **Enhanced Employment:** By targeting the disadvantaged segments such as the underemployed smallholder farmers and empowering them, an economy is poised to reduce its unemployment level. Those empowered will further gain capacity to create own jobs/employments which can reduce the rate of crimes committed by those formerly unemployed.
5. **Food Security:** In most developing countries especially in sub-Saharan Africa, more than 65% of the populations are engaged in agriculture making the sector a home to more than 70% of the poor. In the same way, agriculture remains an important sector, employing about 72% of all workers in Uganda (World Bank, 2014). Targeting agriculture and enhancing its productivity will ensure food security for the whole nation.

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6. **Resource Utilization:** Just like many other developing countries, Uganda has a number of unutilized natural resources. By economically empowering the poor segment of the country's population, the government will eventually see a number of natural resources exploited. This will probably lead to improved people's income and welfare, and broaden the tax base or revenue of the country.

Literature indicates that growth is always more effective in reducing poverty in countries with low income inequality than in countries with high income inequality (UNDP, 2013b). When growth is inclusive people are more augmented to participate in, benefit from, and create wealth and jobs from the growth. Inclusive growth is inextricably linked with the contemporary definition of economic development. Therefore, to achieve economic development, developing countries should unanimously promote inclusive growth. In the case of Uganda this may be achieved through increasing agricultural productivity of the smallholder famers who are more disadvantaged. As reported by UBOS (2014), production by smallholders constitutes over 75% of both food crop and cash crop aggregates.

Major Constraints to Agricultural Productivity in Uganda

Despite several attempts to raise agricultural productivity in Uganda, success has been significantly low. The modest increases in productivity since 1990 are attributed to expansion of cultivated land rather than improvement in productivity per unit area of land (World Bank, 2008). Nabbumba and Bahiigwa (2003) observed that expansion of cultivated land is becoming unsustainable since access to land is increasingly constrained by the high population growth.

Growth of agricultural productivity in Uganda is constrained by several factors. In this chapter, the key factors were identified based growth accounting exercise. Based on the work of Barro (1998), growth accounting can be defined as a technique for explaining the factors that determine growth; it breaks down economic growth into components associated with changes in factor inputs and Solow residual. It provides an understanding on the sources of growth hinging on the Cobb-Douglas production function. Other determinants of productivity were ascertained by disaggregating the key variables captured in the main growth accounting equation (equation 1).

$$G_t^Y = G_t^A + \alpha G_t^K + (1-\alpha) G_t^L \tag{1}$$

Equation (1) implies that the growth rate of output equals the growth rate of the technology term, plus a weighted average of capital growth and labour growth; where the weight is determined by the parameter $\boldsymbol{\alpha}$**.** The equation provides estimates of how much agricultural productivity growth over a certain period comes from growth in the number of workers, how much comes from growth in the stock of capital and how much comes from improvements in TFP. The major factors identified in this chapter are discussed below.

- **Capital:** Since most smallholder farmers are poor, lack of capital prevents them from acquiring modern equipments, using hybrid seeds, or expansion of their farms. The farmers often fail to cultivate in time, cannot afford to buy fertilizers and cannot spray their crops or treat their livestock in case of diseases. In most cases, the farmers are forced to use family labour. They plough small areas and spend a lot of time doing worthless work.

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- **Pests and Diseases:** Pests and diseases are serious problems to nearly all farmers in Uganda, causing yield losses of up to 50% sometimes. Maize, beans, bananas, simsim, cassava, millet and coffee are extremely susceptible to diseases and pests. The possibility of chemical control of pests and diseases by smallholder farmers is limited by finances and availability of quality pesticides. Most farmers resort to resistant varieties which are generally low yielding.
- **Farming Skills/Knowledge:** Over 70% of the Uganda's smallholders have never received formal training in farming or agriculture; most farmers lack the required technical skills in agriculture.
- **Land Problems:** Uganda's rapid population increase and the analogous increase in the number of agricultural households have increased land pressure. Average agricultural household land holding is as low as 2.4 hectares (6 acres). However, in the northern part of the country some households own more than 4 hectares of land, while their counterparts in the central and western Uganda own less than 1.6 hectares. Land limitation forces farmers to undertake small scale farming activities, and the repeated use of a farmland depletes its fertility making the land less productive. Since most smallholder farmers lack the technical farming skills, they do not know how to replenish soil nutrients. Recent economic update by the World Bank (2015b) shows that most land in Uganda is not registered; less than 20% of Uganda's arable and pastoral land is registered (having land titles), with over 90% of rural land being undocumented.
- **Variable Climate and Weather; Drought, Flood and Wind:** Due to reliance on natural climatic factors, Ugandan farmers have become more vulnerable to the impacts of climatic change. Further still, poverty cannot allow the farmers to undertake irrigation. Extreme weather events including drought, flood and wind are expected to severely affect farmers further due to climate change. Less than 2% of the farmers apply irrigation. Most farmers in the country have also failed to control flood and extreme wind, except in western Uganda where some farmers practice terracing.
- **Labour Problems:** Availability and the quality of labour are serious constraints to farm productivity in Uganda. The high cost of labour or their limited availability makes planting, weeding, and harvesting often a serious problem. Shortages of labour causes delay in planting, weeding or harvesting; bad timing in any of these activities leads to major losses to the farmers.
- **Limited Application of Modern Inputs:** The key intermediate inputs include fertilizers, pesticides, energy, feeds, seeds and parent/breeding livestock. The application of modern intermediate inputs is not widespread in Uganda and most smallholders do not use them. Due to limited knowledge, poverty and conventionality, most farmers grow their crops or keep their livestock without using modern inputs. Although some farmers lack the money to buy them, others believe that they can do without the inputs perhaps because their land is still fertile or because they prefer to practice organic farming.
- **Poor Infrastructure:** Uganda has the poorest infrastructure in the region; most roads are basic and they are hardly maintained. There are almost no functional irrigation facilities. The poor state of infrastructure has had long-term detrimental effects on productivity growth. Policy makers need to reconsider their budget priorities in order to mitigate the deleterious impact of budget cuts on future growth. Under funding of agriculture is now a big problem (UBOS, 2014).
- **Lack of Government Support in the Form of Subsidies, Loans and Extensions:** Over the last twenty years, the agricultural sector has been receiving less than 5% of Uganda government budget allocations. Based on Annual National Budgets (MFPED, 2015), the government allocates

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more money to security (army), education, health and transport sectors. Under financing of the agricultural sector implies support to the smallholder farmers in form of subsidies, loans or extensions/trainings are limited.

Although the government has put in place the National Agricultural Advisory Program (NAADS) to support farmers, only about 11% of the farmers received support. The supports given are often too small to improve the living standard of the farmers. Supports extended included seeds, animals (goats and cows), fertilizers and specialized trainings. In most cases supports are given to farming groups.

- **Fluctuation in Prices:** Uganda experiences fluctuating food prices; prices increase during and after the long dry spell (between December and June) and are low during the rainy seasons. The main reason for this fluctuation is the reliance on natural factors. Immediately after harvest periods, prices for most food stuff are extremely low due to very high supply, and the prices will rise in times of scarcity. However, even during scarcity the smallholder farmers do not gain much from soaring prices since they do not store their products to sell later at higher prices.
- **Political Instability and Conflicts:** Uganda has witnessed several episodes of war over time that caused various atrocities and seriously ravaged the country. In the last fifteen years however, most parts of the country were peaceful. To some extent, the various episodes of wars and conflicts have destroyed or lessened the infrastructure and other systems needed for the development of agriculture, thereby limiting agricultural productivity.
- **Post-Harvest Losses:** According to Alliance for a Green Revolution in Africa (AGRA, 2013), crop post-harvest losses in Uganda have been estimated at 5-15% for cereals and legumes, 20-25% for root and tubers and over 35% for fruits and vegetables. These losses are mostly attributed to poor storage conditions, damp floors, inadequate sunshine and high humidity. Ugandan farmers' need additional training to enable them mitigate continuous post-harvest losses.

Ways of Improving Agricultural Productivity

For national development strategies to be successful, food security must be part of the national agenda, and the promotion of rural development should be a key component of such strategies. Achieving rural development requires sustainable strengthening of agricultural productivity and competitiveness (World Bank, 2008). Based on these views, for growth to be effective in reducing poverty, unemployment and income inequality, the poor must contribute to deliver growth and they must also benefit from the process. Enhancing agricultural productivity must be a prime target in any policy design for sustainable growth and development in any poor agriculture based country. The subsequent section presents the possible ways of raising agricultural productivity in Uganda:

- **Resource Support for Farmers:** Agricultural growth depends on whether Uganda's scarce resources, including farm land, labour, irrigation water, farm equipments and other capital, can move freely between farms to higher value uses. Efficient resource reallocation through structural adjustment or otherwise is an important productivity driver at industry level. As previously indicated, a major constraint limiting agricultural productivity is lack of capital for acquiring modern

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equipments, buying hybrid seeds, or expanding the enterprise. Unfortunately, the unrelenting underfunding of the agricultural sector implies that the little public support extended to the farmers cannot adequately foster improvement in their livelihood. In case of natural hazards, assistance programs such as drought/flood assistance may also be introduced to provide farming incentives and to act as a safety-net to the victims.

- **Access to Assets:** There is need to improve access by the smallholders to various assets and also to involve them in decision making processes, especially on issues that influence their own lives. The government should provide low interest loans to farmers with minimum requirements since most smallholders do not have the required collaterals. Given that most farm land is not registered, the government should subsidize land registration and ensure faster processes of formal land documentation. Government should also invest in expensive farm equipment including tractors and avail them for hire at more affordable cost at every sub-county. These would enable timely land opening and will foster cheaper farm expansion by the smallholders.
- **Invest in Research, Development and Extension System:** Investing in rural R&D is critical to increasing productivity, sustainability and resilience of rural farm activities. Public investment in R &D, and effective and timely extension activities will foster adoption of such innovations on the latest technologies by farmers. Investments by the Ugandan governments in rural R&D and extension have not had a significant effect on agricultural productivity. Most rural farmers are not informed about new research findings from the National Agricultural Research Organization (NARO) because little extension services actually reach them. Since most farmers have had low level of education and less than 30% received formal training in agriculture, rural R&D and extension are significant in promoting productivity. Several studies which examined the return to public investments in R&D and extension in agriculture have shown high rates of return (Mullen, 2007; World Bank, 2008).

Although both domestic and international R&D findings should be used, domestic findings lead to more tailored and better suited policies to the local conditions. R &D should particularly focus on high yielding varieties, and pests and disease control. Generally, future agricultural productivity growth will depend on the capacity of rural RD&E systems to holistically supply innovations to a diverse section of rural Uganda.

- **Rigorous Use of Modern Inputs Including Hybrid Seeds, Fertilizers, Pesticides and Feeds:** Several scholars have recognized intermediate inputs as the major embodiment of modern scientific farming (Donovan, 2012). As outlined previously, smallholder farmers in Uganda still underutilize modern inputs despite their positive correlation with productivity. Addressing the low use of modern inputs may require an integrated approach. The government should subsidize inputs so as to make them more affordable to the farmers. Subsidies can help to overcome temporary market failures, reduce risks and offset fixed costs. Furthermore, the inputs should be made available in the rural areas and their benefits should be well communicated to the farmers.
- **Rural Infrastructural Development:** The magnitude of smallholder supply response to trade and price changes depends on, among other factors, rural infrastructure (irrigation, roads, transport, power, and telecommunications), markets, rural finance, and research. Rural infrastructure is

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still very poor in Uganda. The significance of rural infrastructure and their unrelenting deficiency implies government must invest in them in order to reduce the cost of doing business and to take advantage of trade reforms.

Private sector competitiveness may be significantly constrained by infrastructure deficiencies such as unreliable electricity and inadequate rail or road networks. The Ugandan government has recognized this and it has increased public investment to finance infrastructure projects in energy and roads in the budget allocations of 2015/16 with the aim of reducing the cost of doing business (MFPED, 2015). Nevertheless, there is need to monitor the implementation of the projects. The government should open and maintain rural roads, install irrigation facilities, extend electricity, and improve communication services.

CONCLUSION AND RECOMMENDATIONS

Although the Ugandan government expects that economic growth should generate virtuous circles of prosperity and opportunities, strong growth of the recent decades has not translated into the expected development outcomes. As indicated in several reports (World Bank, 2011; World Bank, 2015a; MFPED, 2015), the distress of poverty, unemployment and inequality continue to acutely affect people, especially the rural farmers. Uganda's growth process has thus not been pro-poor and inclusive since the living standards of most farmers have not improved.

The biggest challenge of Uganda's agriculture seems to be low productivity (IFPRI, 2008; Nabbumba & Bahiigwa, 2003). The country's agricultural productivity is constrained by lack of capital, pests and diseases, and limited farming skills. Land limitation, bad climate and weather, and limited use of modern inputs also limit productivity. Other factors that constraint productivity include poor rural infrastructure, poor government support to farmers, price fluctuation, and post-harvest losses.

Augmenting agricultural productivity will require increasing resource support for farmers; increasing access to various assets; and investing in research, development and extension system. The government should also foster rigorous use of modern inputs including hybrid seeds, fertilizers, pesticides and feeds; and it should develop rural infrastructure. Further researches should consider careful decomposition of Uganda's economic growth (growth accounting) and also ascertain the country's binding constraints to inclusive growth in order to foster formulation of well-tailored policies that coherently offer generic solutions to poverty, unemployment, and inequality problems.

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KEY TERMS AND DEFINITIONS

Agricultural Productivity: The ratio of the value of total farm outputs to the value of total inputs used in farm production. It is the output produced by a given level of input(s) in the agricultural sector of an economy.

Economic Development: The process of improving the quality of all human lives and capabilities by raising people's standards of living, self esteem and freedom.

Economic Growth: The continuous improvement in the capacity to satisfy the demand for goods and services, resulting from increased production scale, and improved productivity (innovations in products and processes). It is measured using GDP.

Inclusive Growth: Output growth that is sustained over decades, is broad-based across economic sectors, creates productive employment opportunities for a great majority of the country's working age population, and reduces poverty. It involves growth in both income and equity or income distribution.

Poverty: The lack of basic needs and services such as food, clothing, beddings, shelter, healthcare, education, information and communication.

Unemployment: All the individuals who are without work/jobs: they may either be in the process of moving to new jobs or actively seeking work.

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Chapter 79
Exploring the Social Impact of Foreign Direct Investment on Institutional Change: The Case of Russia

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ABSTRACT

Despite the vast and growing literature on the economic impact of foreign direct investment (FDI), its social significance is somewhat a neglected issue. Focusing on Russia, this chapter examines the effect of FDI and (formal) institutions (proxied, alternatively, by the [1] accumulated stock of small and medium sized firms or SMEs and [2] number of economic crimes per 100,000 population or corruption) on (informal) institutional change (proxied by the change in the number of violent and property crimes per 100,000 population). The empirical findings provide robust support for a significantly positive direct impact of SMEs, whilst observing a significantly negative effect of corruption and either significantly positive impact of FDI or insignificant effect of multinational firms in this context.

INTRODUCTION

Evidenced by the research that has addressed locational choices of multinational enterprises (MNEs), foreign direct investment (FDI) has become a popular subject in the literature. This research has recently paid some specific attention to institutions as one of the key FDI determinants. Well-functioning institutions are critical to economic performance (North, 1989; 2005): they instil trust into firms and markets, helping firms to build innovation capabilities (Busenitz, Gomez, & Spencer 2000; Licht & Siegel, 2006; Lam & Lundvall, 2007; Mathews & Hu, 2007; Smith & Thomas, 2015a).

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Empirical evidence confirm that MNEs tend to invest in countries with strong institutions, or in places with (among others) lower degree of government intervention in business operations, lower level of corruption, better contract enforcement and property rights protection (Du, Lu, & Tao, 2008). Although FDI can benefit host economies, countries seeking to attract foreign investment can have undesirable outcomes (Alexeev & Pyle, 2003; Robertson & Watson, 2004; Kwok & Tadesse, 2006; Halmos, 2011; Petrović & Ranđelović, 2012).

Indeed, the recent literature stresses the importance of bi-directional influence between firm's decisions and institutions and addresses how firms shape institutional framework (Carney, Gedajlovic, & Yang, 2009). In particular, MNEs can act as "institutional entrepreneurs", in that they may initiate change unintentionally by sharing business practices or by internalising their norms and professional standards (Kwok & Tadesse, 2006; Hardy & Maguire, 2008).

Whilst positive change in local institutions caused by MNEs is possible, MNEs can increase social inequality (Halmos, 2011; Petrović & Ranđelović, 2012) and damage institutional quality (Alexeev & Pyle, 2003). For example, competition by MNEs for natural resources can increase the total supply of money (bribery potential), resulting in higher level of corruption and crime in a host country (Robertson & Watson, 2004; Kwok & Tadesse, 2006).

This chapter makes a very first attempt to investigate these issues by contributing to the debate on the social impact of FDI. More specifically, its objective is to empirically examine the effect of FDI and (formal) institutions (measured by the (i) accumulated stock of small and medium sized firms (SMEs) and (ii) number of economic crimes registered per 100,000 population) on (informal) institutional change (measured by the change (to account for dynamism in the social environment) in the number of violent and property crimes) within a country.

Russia provides an interesting context to achieve this purpose, with evolving institutions, slow growth in entrepreneurship and an increasingly recognised importance of FDI in technological catch up of the local firms (Smith & Thomas, 2015a). It is a suitable environment for a cross-regional approach. Russia is the largest country by land, with regions comparable in size to entire countries. This makes this research similar to a cross-national study. The number of regions across Russia is large enough to ensure considerable variations among them, while providing reliable statistical findings.

Russia's regions are diverse (in terms of language, ethnicity, culture and economic performance), while retaining comparable status within the country. Russia is heterogeneous both ethnically and religiously. It displays large and persistent regional disparities in social and economic characteristics, in spite of common policies, institutions and laws. Therefore, changes in these factors are not responsible for socioeconomic differences across the country, and this, in turn, substantially reduce the omitted-variable problems affecting many cross-country studies.

This investigation is novel, thus the results should be viewed as preliminary. The study finds a significant effect of formal institutions on change in informal institutions across the country. Namely, the positive change is observed in the regions with stronger formal institutions (with a higher number of SMEs and a lower number of economic crimes registered), or in the regions with higher entrepreneurship activities and lower corruption. The findings support the premise that the local entrepreneurs along with foreign investors had a positively changing impact on the social environment within the country.

The chapter is structured as follows. The next section briefly discusses the relevant literature. It then describes the empirical specification and data, the model and methodology used. The following section presents results, pointing at policy and managerial implications and potential directions for further research.

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LITERATURE REVIEW

Institutions

Appropriate formal institutions (laws and regulations) and informal structures (restrictions to structure human interactions) are the key determinants of a well-functioning society (North, 1989). The cost of information is fundamental for the existence of transaction costs (costs of negotiation, information, search, surveillance and enforcement) (Smith & Thomas, 2015b). Important parts of transaction costs are the costs for acquiring information about true characteristics of exchanging goods.

Institutions play a crucial role in reducing transaction costs (North, 1989): they put constraints on economic agents' behaviour and reduce the risk of opportunistic behaviour (North, 1989; 2005). Institutions that limit governments from 'praying on the market' (by restraining the discretion and authority of individual actors within a government) is a necessary condition for markets to function well (North, 2005). The vital role of institutions lies in defining and enforcing property rights and in providing incentives for firms to engage in productive activity (North 1989; 2005). By defining and enforcing laws, institutions reduce uncertainty of human interaction and, therefore, the costs of cooperation.

Formal institutions (government defined and enforced) play the key role in an economy, so do the informal institutions and social capital embedded in them (Williamson, 2009; Dixit, 2009). Formal rules interact with their informal surrounding shaped by the history of formal institutions (Tabellini, 2008). The relation between informal and formal institutions is dynamic: formal institutions (or rules) can shape the informal institutions, but formal institutions are also the long-run reflections of past values, beliefs and norms (Williamson, 2009).

For example, Johnson, Mcmillan, & Woodruff (2002) find that firms in European post-communist countries resorted to bilateral relationships due to courts' inefficiency. Lambert-Mogiliansky, Majumdar & Radner (2007) point to the fact that across Russia the variation in the outcome of enactment of the bankruptcy law depended on the popularity of governors and the quality of the relationship with the federal center. Steer & Sen (2010) provide evidence that, to compensate for the deficiency of the formal legal system, Vietnamese firms used relational contracts.

What has not been given sufficient attention in the literature is the ways in which MNEs strategy might shape the institutional framework (Carney, Gedajlovic & Yang, 2009). This is rather surprising, as MNEs coordinate their actions through associations of which they are a part and, as a result, can exert some strong influence over the environment, since the relational framework allows them to increase their powers (Smith & Thomas, 2015b) to become "institutional entrepreneurs" (Battilana, Leca & Boxenbaum, 2009).

The Social Impact of MNEs

The literature on the impact of MNEs is vast. In the case of transition economies along, there are over 450 studies that examine the effect of FDI on macroeconomic growth (Iwasaki & Tokunaga, 2014). Most of the studies that examine the economic impact of FDI focus on FDI-related technological spillovers (see Acemoglu, Johnson & Robinson, 2002; Aizenman & Marion, 2004, Driffield & Love, 2007).

However, there does not appear to be much of cumulative benefits, stemming from the presence of MNEs and there is a need for examining the broader impacts of FDI on host countries (Dunning, 2002; Meyer, 2004). As the intangible wealth, among other means, includes the provision of social services and

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reduction of crimes (which is a much broader definition than that contained in gross domestic product, see Dunning, 2002), considering the social role of FDI on the host economy is vital.

FDI can contribute to achieving the host country social goals (Lall, 2004; Petrović-Ranđelović, 2012; Lehnert, Benmamoun, & Zhao, 2013), by improving social welfare (health, education and standard of living, see Lehnert et al., 2013) or by generating employment, (see Lall, 2004). However, a negative relationship between FDI and income inequality is also found (as in Paus & Robinson, 1999; Goldberg & Pavcnik, 2007; Halmos, 2011; Rafsanjani, Zeinolabedini, Mir, & Far, 2014).

Literature argues that skill-based nature of technology (embodied in FDI) can amplify the inequality effect of FDI (Wang & Blomström, 1992) that also entails social dumping that may reduce socio-economic capabilities of a country and can affect its absorptive capability in terms of political institutions, social cohesion and technological opportunities (Lee & Vivarelli, 2006).

Empirical evidence points at the degree of relative deprivation in a society, the degree of cohesiveness in social relations among citizens and the level of crimes (Kawachi, Kennedy & Wilkinson, 1998; Kennedy, Kawachi, Prothrow-Stit, Lochner, & Gupta, 1999). In this context, social capital can be a precondition for efficient and successful economic activities (Putnam, 1995; Fukuyama, 2003). Indeed, economic and social development of countries may depend on the available stock of social capital (Knack & Keefer, 1997; Rose, 2000; Kaasa, 2009).

Furthermore, economic growth and social prosperity through FDI can be determined by the interaction between governments and MNEs (Spar, 1999). For example, MNEs can influence governments and provide for the social welfare of host-country citizens, by offering foreign aid to developing countries, by expanding international trade and investment and by influencing public policy (Rondinelli, 2002).

On the one hand, MNEs can hamper the economic integrity and sovereignty of the developing world (Hippert, 2002). On the other hand, MNEs can act as institutional entrepreneurs, by initiating and actively participating in the implementation of changes that diverge from existing institutions, 'independent of whether the initial intent was to change the institutional environment and whether the changes were successfully implemented' (Battilana, Leca, & Boxenbaum, 2009).

That said, the nexus between institutions and MNEs' agency (with the latter being purposeful action by MNEs to intentionally pursue their interests and exert some effect on their social environment, see Scott, 1995), remains rather underdeveloped. The current research is yet to answer some important questions regarding the conditions for change (Child, Rodrigues, & Tse, 2012), especially in a context of emerging economies (Smith & Thomas, 2015a,b).

Social Capital and Crime

The concept of social capital (see Putnam, 1995 among many others) is related to institutions: in a similar to institutions way, social capital reduces transaction costs and (in a form of trust and social norms) makes cooperation easier. The existence (or absence) of social capital in a country tends to be self-reinforcing: trust and networks, on the one hand, and distrust and isolation, on the other, seem to self-reinforce.

Higher levels of social capital help to coordinate and implement changes in formal institutions (Platteau, 1994). Countries with higher stock of social capital achieve higher levels of growth (Putnam, Leonardi & Nanetti, 1994; Knack & Keefer, 1997; Rose, 2000): social capital can increase economic efficiency through supporting cooperation and by lowering transaction costs (Knack & Keefer, 1997; Akçomak & Ter Weel, 2009).

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People in networks (or communities) with a higher level of social capital can work together more effectively and take chances on risky ideas, fuelling innovation as a result (Florida, 2002; Smith & Thomas, 2015b). In this process, social capital can promote business networking and information flows (Coleman & Coleman, 1994, Putnam et al., 1994; Fukuyama, 2001).

Individual choices of crime participation may be significantly affected by the presence of civic norms and networks. For example, there is an established link between civic engagements, social capital and social outcomes (the level of crimes) (see Rosenfeld, Baumer, & Messner, 2001). Whilst countries with higher levels of social capital may have lower crime rates (due to higher civic engagement), countries with higher crime rates may have weaker social capital (Taylor, Gottfredson & Brower, 1984, Rosenfeld et al., 2001).

That is, strong attachments among citizens may help to deal with crime, as exchange of information on criminal behaviour between them may facilitate responsive action to prevent such behaviour in the first place (Sampson, Morenoff, & Earls, 1999). Strong attachments and involvement in matters within a country leads to strong social bonds and can, as a result, reduce the cost of conflict resolution, since conflicts are resolved in peaceful ways (Hirschi, 2002).

Criminal behaviour not only depends on the individual incentives but also on the incentives of people surrounding the individual: an individual is less likely to commit a crime if peers and the community can punish their criminal behaviour. Informal social control (a response to unusual behaviour, that is not the same as formal regulation designed to prevent and punish crime) helps to achieve social order and increase the level of well being in a community and increase the level of trust among citizens and political involvement (such as voting) (Nie, Powell, & Prewitt, 1969).

According to Sampson & Groves (1988), communities are empowered by the trust in each other to take action against crime and to join with formal control (such as the police). Consistent with this theory, significantly lower crime levels and self-reports of victimisation in neighbourhoods, characterised by social or collective efficacy, are reported (Sampson, Raudenbush, & Earls, 1997).

Bursik & Grasmick (1993) argue that effectiveness of law enforcement and public control is higher in communities with extensive civic engagement (see also Rosenfeld, Messner, & Baumer, 2001; Lederman, Loayza, & Menendez, 2002; Messner, Baumer, & Rosenfeld, 2004). Hence, the cost of conflict resolution decreases and more conflicts can be solved.

Similarly, by being caught, an individual risks to loose the utility generating social capital (loss of reputation and job, divorce) (Williams & Sickles, 2002). This means that the more social capital an individual possesses the higher the expected cost of committing crime, which reduces the probability to engage in criminal activities. Therefore, given the probability of being caught and formal control, higher levels of social capital seem to reduce crime (Williams & Sickles, 2002).

Social capital is closely related to corruption, perceived as a failure of institutions and a lack of capacity to manage society, by means of a framework of social, judicial, political and economic checks and balances. Indeed, there is a strong association between higher levels of social capital and corruption (La Porta, Lopez-de-Silanes, Shleifer & Vishny, 1997).

Social capital can lead to low corruption (Uslaner, 2004) and the level of corruption might decrease because of generalised trust and monitoring (Bjørnskov, 2003). Environments with weak institutions can be the most corrupt and least entrepreneurial, since institutions are essential for business start-ups (Baumol, 1996). Legal quality can reduce corruption in high-trust countries, but might have no significant effect in low-trust countries (Bjørnskov, 2011).

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METHODOLOGY

The study is based on the regional panel data collected from Rosstat (Russia's Federal State Bureau of Statistics). The data are available for 83 regions in 1997-2011. To construct dependent variable (*INF_INST*), the change in the number of violent and property crimes registered is used (with the rational that the crime is a mirror of the quality of the social environment, see Kawachi et al., 1999).

This variable is, therefore, binary: change above zero indicates the change is 'positive' and there is either no change or a negative change, otherwise. The model takes the following simple form:

$$INF_INSTit = \beta 0 + \beta 1 FORM_INSTit + \beta 2 FDIit + \varepsilon it$$

where *INF_INST* is informal institutions in a region *i* at time *t*. Formal institutions (*FORM_INST*) are proxied by two variables. *SMEST* (or entrepreneurship) is the accumulated number of SMEs. The rational here is that stronger institutional environments should be more conductive to the process of new business start-up, see Popov, 2001; Smith, Thomas & Antoniou, 2014; Smith & Thomas, 2015b). *CORR* (or corruption) is measured by the number of economic crimes registered per 100, 000 population (as in Smith et al., 2014).

FDI controls for FDI-related (social) spillovers (number of MNEs and the stock of MNEs are used to check robustness of the results); the error term is modelled as $\varepsilon it = \eta i + mt + \lambda it$, where η and m are time- and regional-invariant effects, respectively, and λ is a random disturbance. Variables' definitions are in Table 1. Descriptive statistics is in Table 2. Table 3 presents a correlation matrix.

Table 1. Definitions of the variables used

INF_INST: Change in the number of violent and property crimes registered (per 100,000 population)
SMEST: Accumulated stock of SMEs
CORR: The number of economic crimes registered (per 100,000 population)
FDI: Inflow of FDI
FDIST: Stock of FDI
MNE: Number of MNEs
MNEST: Accumulated stock of MNEs

Source: Rosstat

Table 2. Summary statistics

Variable	Observations	Mean	Standard Deviation	Minimum	Maximum
INF_INST	1328	0.5	0.5	0	1
FDI	1231	377574.7	6276190	0	2.14E+08
FDIST	1317	688749.7	1.13E+07	0	3.96E+08
MNE	1135	85.7	316.4	0	3361
MNEST	1135	602.1	2731.4	0	35952
SMEST	1391	103833.3	253459.4	100	3444500
CORR	1245	192.8	270.2	14.0	3272.5

Note: See Table 1 for abbreviations' definition.

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Table 3. Correlation matrix

	INF_INST	*FDI*	*FDIST*	*MNE*	*MNEST*	*SMEST*	*CORR*
INF_INST	1						
FDI	0.0859	1					
FDIST	0.0864	0.9999	1				
MNE	0.014	0.3609	0.3608	1			
MNEST	0.0579	0.4401	0.4401	0.7821	1		
SMEST	0.1255	0.438	0.4379	0.3928	0.3393	1	
CORR	-0.0613	-0.0683	-0.0681	0.028	-0.0013	-0.0705	1

Note: See Table 1 for abbreviations' definition.

Regions in Russia are very heterogeneous: they are diverse in historic and economic conditions, land mass, ethnic and religious composition and language. For example, in 2004 Vologda had the highest share of ethnic Russians (97 per cent), whilst Ingushetiya - the lowest (1.2 per cent). Many of Russia's ethnic republics (for example, Ingushetiya) have been relatively poor; they are located on the periphery of the country having to bear higher transportation costs in reaching country's main markets – Moscow city and Moscow region.

There is an uneven distribution of population across the country. Russia's average population density is 8.4 people per square kilometre, making it one of the most sparsely populated countries in the world. The population is most dense in the European part of the country, around Moscow city and St. Petersburg.

Just over 11 per cent of the population reside in East-Siberian and Far Eastern territories (combined, these represent over 60 per cent of Russia's landmass). By contrast, 20 per cent of the population reside in Central Russia (2.8 per cent of the area of the country). In 2004, for example, Evensk had a population of 20 people per square kilometre, whilst the population in Moscow city of 9,461 people (Rosstat).

Although (on average) 74 per cent of the population in Russia is urban, its regions differ in industrial development and natural resource endowment, which accounts for the variations in gross regional product (GRP) per capita. In 1995, for example, the difference between the highest GRP (in Moscow city) and the lowest (in Ingushetiya that has one of the largest deposits of oil and gas) was 247 fold; this difference almost doubled by 2009 (to 471 fold).

Taken per capita, the difference between the highest 1995's GRP (in Nenetsk) and the lowest (in Ingushetiya) was 77 fold (this diversity being reduced to 21 fold by 2009). The great majority of regions in Russia have been handicapped by low population density, barriers to labour mobility and poor infrastructure (OECD, 2013).

Therefore, to account for this heterogeneity in the analysis, the study begins by testing the sample for heteroschedasticity by using the Breusch-Pagan/Cook-Weisberg test with null hypothesis that the error variances are all equal versus the alternative that the error variances are a multiplicative function of one or more variables.

Heteroscedasticity is confirmed by the large chi-squares found and the Generalised Method of Moments (GMM) estimation is used as a result, as most efficient in this case (Baum, Schaffer, & Stillman, 2003). Since the basic model is limited to FDI and institutional determinants of social environment only, it may suffer from misspecification.

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To deal with the omitted variable bias, the GMM regression with fixed effects (to control for regional-specific characteristics not included in the model) is opted for. As it can be argued that individuals living in more corrupt locations have 'looser' standards for judging corrupt practices, regional-fixed effects that help to control for these (among others) differences are added to the model.

DISCUSSION OF RESULTS

The main results of GMM regression are presented in Table 4. To check the results for robustness, the basic model is re-estimated, using alternative FDI data. The results in Table 5 are with MNEs and their accumulated stocks. Models 1, 3, 5 and 7 are with FDI/MNEs and Models 2, 4, 6 and 8 are with their interactions (that essentially tests if regions with lower corruption can benefit more in terms of social change caused by FDI/MNEs). If this is the case indeed, the impact of these interactions should be positive.

Overall, just with a limited number of selected variables, the explanatory power of the model is satisfactory: the models explain (on average) over 50 per cent of the variance in the change of informal institutions across Russia. The results support the argument regarding the association between FDI and

Table 4. The impact of formal institutions (stock of SMEs and corruption) and FDI on informal institutions (change in the number of violent and property crimes) across Russian regions (1997-2011)

Variables	Model 1	Model 2	Model 3	Model 4
Log SMEST	0.110***	0.112***	0.116***	0.117***
	(0.027)	(0.027)	(0.026)	(0.026)
Log CORR	-0.096**	-0.098**	-0.098***	-0.099***
	(0.042)	(0.042)	(0.038)	(0.038)
Log FDI	0.033***	0.032***		
	(0.007)	(0.007)		
FDIxCORR		9.19e-12***		
		(2.95e-12)		
Log FDIST			0.031***	0.030***
			(0.006)	(0.007)
FDISTxCORR				5.18e-12***
				(1.58e-12)
Regional dummies	yes	yes	yes	(0.428) yes
Time dummies	yes	yes	yes	yes
Constant	-0.441 (0.454)	-0.444 (0.454)	-0.494 (0.428)	-0.445 (0.345)
Observations	1085	1085	1163	1163
R-squared	0.502	0.502	0.501	0.502

Note: See Table 1 for abbreviations' definition. Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1; all variables are used in natural logarithms.

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Table 5. The impact of formal institutions (stock of SMEs and corruption) and MNEs on informal institutions (change in the number of violent and property crimes) across Russian regions (1997-2011)

Variables	Model 5	Model 6	Model 7	Model 8
LogSMEST	0.268***	0.268***	0.055**	0.078**
	(0.035)	(0.035)	(0.022)	(0.034)
LogCORR	-0.076*	-0.076*	-0.100***	-0.106***
	(0.042)	(0.042)	(0.039)	(0.038)
LogMNE	-0.023	-0.023		
	(0.031)	(0.032)		
MNExCORR		1.50e-08		
		(4.26e-07)		
LogMNEST			0.135***	0.065**
			(0.0250)	(0.0314)
MNESTxCORR				8.83e-08**
				(4.01e-08)
Regional dummies	yes	yes	yes	yes
Time dummies	yes	yes	yes	yes
Constant	-1.954***	-1.952***	-0.392*	-0.531***
	(0.494)	(0.494)	(0.201)	(0.148)
Observations	1010	1010	1054	1054
R-squared	0.545	0.545	0.531	0.529

Note: See Table 1 for abbreviations' definition. Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1; all variables are used in natural logarithms.

formal institutions, on the one hand, and the informal institutions, on the other. More specifically, the stock of SMEs (at 1 per cent significance) and corruption (at 5 per cent significance) are significant in all eight models.

Hence, the higher stock of SMEs leads to a positive change in informal institutions (or lower crime rates) across the country, whilst such change is either zero or negative in the regions that register higher number of economic crimes (or corruption). That is, between 1997 and 2011 corruption has a damaging effect on the social environment across Russia. The results show regions with higher inflows and stocks of FDI (at 1 per cent significance) changed socially. Although the effect of MNEs per se is insignificant, their stocks have a significantly positive effect on the social change (at 1 per cent significance).

The interaction term between FDI/MNEs and corruption is significantly positive (at 5 per cent significance), confirming that foreign investors across Russia led to a positive change in the informal institutions through their impact on corruption (possibly by minimising its level by not accepting bribes). This confirms that MNEs acted as institutional entrepreneurs, possible due to the uncoupling between them and the unsuitable institutions in the country.

Indeed, early institutional theorists have emphasised that, to gain legitimacy within their organisational field, MNEs conform to institutional pressures (DiMaggio & Powell, 1983). However, a more recent

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institutional perspective states that MNEs may become institutional entrepreneurs as they can mobilise resources to change the institutions for their own interest (Battilana et al., 2009). On the base of this, the study finds some preliminary but robust empirical arguments in support.

CONCLUSION

Using regional panel data for 1997-2011, the chapter estimated the direct and indirect effects of FDI and formal institutions on the change in informal institutions across Russia's regions. The main assumption of the study was that MNEs would have a significantly positive effect across the country. In other words, it was expected that MNEs would act as institutional entrepreneurs, leading to a positive (as in as in Kwok & Tadesse, 2006) social change across the country, by changing or improving the existing institutions (law and order). A significant link between social institutional environment and SME sector development was also assumed.

In line with the arguments in the literature, the preliminary evidence confirms that, during the period under investigation, both MNEs and domestic SMEs led to a positive change in the social environment in Russia. More specifically, a higher number of MNEs and SMEs are found in regions with positive social change (as characterised by a reduction in violent and property crimes).

That said, the effect of corruption on social change was adverse: regions that registered more economic crimes reported showed the least change (or improvement) in their social environments. The results suggestive of the fact that foreign investors in Russia led to a positive change through the change in institutions, possibly by minimising the levels of corruption, perhaps by not involving in corrupt deals with local business agents.

Policy Implications

The implications of this study for policy makers are straightforward. Firstly, the preliminary empirical evidence confirms that the development of social capital by attracting FDI and promoting the development of SME sector in Russia (as well as elsewhere in emerging world) is paramount, given the obsolete social capital, low capacity for self-organisation and low trust in institutions (Rose, 2000; Tabellini, 2008; Aghion, Cahuc, & Shleifer, 2010).

Indeed, in the context of emerging economies undergoing rapid and profound institutional change, it is vital that resources to finance investments are locally generated (Ghura & Goodwin, 2000). Thus, local policies directed at establishing the environment conducive to development of domestic private sector are necessary. Business environment with a sound domestic institutional framework is also a necessary condition for attracting FDI/MNEs (Smith & Thomas, 2015a).

Although SMEs make up around a quarter of Russia's economy, the proportion of SMEs in Russia remains comparatively small (the European Investment Bank). This study shows, however, the role of SMEs is important not only in driving economic growth (for example, through job generation) but also in building the social infrastructure, as employment is a major determinant of reduced conflict and social empowerment (the World Bank).

As MNEs may exert some strong economic and political influence on the environment in which operate, they should not be considered as 'passive players, submissively seeking legitimacy in their interactions with institutions' (Riaz, 2009, p. 28). Instead, they should be seen as institutional agents of change.

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The change actions can be exerted by MNEs either in isolation or through combining efforts with SMEs (that face the same institutions in the host environment). Indeed, institutional change is usually the result of the collective and collaborative actions of many actors (Wright & Zammuto, 2013). Therefore, to help MNEs and SMEs to act as institutional entrepreneurs, policy makers should view them as resources to solve the coordination problems, or develop specific capacities (Jackson & Deeg, 2008).

For example, one way forward may be for managers of MNEs and SMEs to work together, by increasing their participation in the collaborative activities aiming at reducing the risks associated with weak institutions (for example, by targeting corruption and corruptors). By providing incentives (by policy makers) to positively influence the environment, MNEs should make marginal or relevant internal adjustments that take the form of new in-house institutions to which SMEs would also adjust.

In cases of uncertain business environments (when there is an urgent need for changing unsuitable institutions), the pioneering (in the institutional change) role of MNEs (due to their powers) and the role of their followers, or SMEs, should be diffused. On the one hand, MNEs and SMEs may jointly pilot new suitable institutions, for example. On the other hand, it is likely that the introduction and diffusion of new institutions will face some strong resistant forces (Child et al., 2012). Specifically, the attempts from MNEs can probably be in competition with the responses of embedded institutional actors (such as governments) and, as a result, fail. These failed attempts, therefore, should be taken into a consideration.

Managerial Implications

Managerial implications of this study are important. MNEs start interacting with host-country institutions as soon as they enter a country and institutions, indeed, have a significant effect on their continuous operations. For example, an MNE that contemplates FDI has to take into account the characteristics the institutional environment, including the degree of corruption.

Managers of MNEs often impose pressure for subsidiaries to adopt practices used in the home country operations elsewhere (Kostova & Roth, 2002). That is, MNEs' degree of legitimacy in their home environment can affect the degree of legitimacy in a host (Kostova & Roth, 2002). However, in the host corrupt countries MNEs may encounter significant pressure to engage in corruption (Smith & Thomas, 2015).

Possibly, the more MNEs engage in corruption, the greater will be the pressure to offer 'facilitation payments' in the course of their business operations (Smith & Thomas, 2015). Finally, when managers of MNEs recognise that corrupt practices are institutionalised in a host environment, they will be more likely to engage in corrupt practices, even if they personally view them negatively at home (Doh, Rodrigue, Uhlenbruck, Collins, & Eden, 2003).

In the last decade, governments, activists and media have become adept at holding firms accountable for the social consequences of their actions/activities (Porter & Kramer, 2006). Corporate success has, indeed, been largely dependent on corporate ethics practices. From this, therefore, it follows that MNEs should pay more attention to social issues and identify their effects have on host societies.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

The study is not without limitations. For example, what type of FDI is accounted for in the data on aggregated FDI inflows published by Rosstat is unknown. As a result, it was not possible to assess exactly why the effect of FDI varied between its aggregated (FDI inflows and stocks) and disaggregated (MNEs)

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levels. The reason for this could be, for example, a high proportion of FDI (reflected in the data by Rosstat) being the Russian capital returning to the country instead of 'foreign' in origin.

If that holds, one of the most important agendas for policy makers should be the facilitation of the return of this capital, given its positive impact on the social environment. Accelerating capital flight that Russia has suffered in recent years has negative consequences for the economy, as lack of capital may delay the development of the enterprise (or SME) sector. Therefore, strengthening policies and institutions to assist with SME start-ups should remain the precondition for enhancing the quantity and quality of domestic capital formation required for the development of SMEs.

It is important to point out that the study presented in this chapter is exploratory and its results are preliminary. However, it can be a good starting point for further research that should, indeed, consider the role of change agents in emerging economies. It is believed that the following proposed research areas will have some important policy implications, given the promotional efforts made by the governments in emerging economies to attract FDI.

Future research efforts may, for example, focus on examining the conditions under which the interaction effects of corruption and FDI are most prominent. Further papers should also examine the role of SMEs in institutional change. Finally, spatial correlation becomes a crucial issue when evaluating determinants of social change (as various forms of localised social interaction may give rise to a spatial multiplier, by which crime rates in a given region also depend on crime rates in neighbouring regions, see Anselin, Cohen, Cook, Gorr, & Tita, 2000). Therefore, further studies should make an effort to control for spatially lagged crime rates.

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KEY TERMS AND DEFINITIONS

Corruption: Dishonest or fraudulent conduct by officials in power.

Foreign Direct Investment (FDI): Controlling ownership in a business enterprise in one country by an entity based in another country.

Formal institutions: Contracts, incentives, authority, laws and regulations.

Informal Institutions: Norms, routines, political processes and restrictions that economic agents put on their own behaviour.

Institutions: Formal and informal rules and norms that organise social, political and economic relations.

Multinational Enterprise: A firm that has its facilities and other assets in at least one country other than its home country.

Social Capital: Informal values or norms.

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Section 6
Critical Issues and Challenges

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Chapter 80
Can Zakat Institutions Adopt Consumer-Centric Knowledge Management Successfully to Alleviate Poverty?

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ABSTRACT

Drawing upon Consumer-Centric Knowledge Management (CCKM) approach and poverty alleviation efforts, this chapter elaborates the adoption of these approaches in Zakat Institutions (ZI) in their search to alleviate poverty. It assesses the interrelationships of the two approaches in ZI considering the poor and needy as the main envisioned stakeholders. The investigation deliberates the landscape of poverty alleviation by key agents of knowledge change, reviewing their contributions to establish communities of practices in creating and sharing knowledge on poverty alleviation. Similarly, it relates major strategic focus of poverty alleviation to CCKM processes. It explores knowledge management gaps that could affect ZI outreach highlighting the main internal and external challenges. The substances of outreach stipulate the importance of poverty intelligence portfolio that utilizes key elements of CCKM, namely poor and needy intelligence, demand intelligence, situational intelligence, and networking intelligence. As a result, the effective engagement of ZI in the two approaches is valued with respect to knowledge on poverty alleviation.

INTRODUCTION

Existing research on the effect of consumer – centric knowledge management on poverty alleviation by Zakat Institutions (ZI) has not yielded definitive conclusions, in part because of differences in methods. Four issues distinguish recent literature based on assessing factors influencing poverty alleviation as strategic goal in economic development. First, knowledge and knowledge sharing is essential for development in general and alleviating poverty in particular (Shin and Kook, 2014; World Bank, 2011; KDI &

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WBI, 2011; FAO, WFP & IFAD 2012; IFAD, 2011; Anand, & Lea, 2011; Anderson et al, 2013. Second, different perceptions caused by demand –led poverty alleviation approaches (Biard, 2013; Camacho & Conover, 2011). Third, all types of organizations can benefit from the essence of knowledge management (KM), customer relationship management (CRM) – customer-centric approach (Jirinova, 2013; Wang & Fen, 2012; Kopetz et al. 2012; Alhawari, 2013; Al-Shammari, 2011; Lee, 2014; Gebert, 2003). Fourth, globalization changed the nature of economic activities, which results in redefining poverty, and the poor. This process modifies the role of Zakat Institutions (ZI) as social safety net organizations (Al Baraka, 2011, 2012 & The Kuwaiti Zakat-House).

These four issues are interrelated: for instance the millennium declaration and the move towards knowledge economy places knowledge as a global strategic goal to alleviate poverty. However, many countries, international, national and organizations adopted Consumer Centric Knowledge Management approach to support collaboration oriented activities (Tsai *et al*; 2006). The effectiveness of these relations in organizations (i.e. ZI) depends on not only social capital and knowledge management processes but also on knowledge sharing and partnership (Barry & Tacneng, 2013; Abuo-Zeid; 2007).

Zakat as a third pillar of Islam is the proportion of a person's wealth designated for the poor and needy seeking purification and growth[1]. Legally, it means transfer of ownership of specific wealth to specific individual or individuals under specific conditions (Abdul-Rahman, 2007). It indicates that poor people have the right in the wealth of the rich. Zakat Institutions are legal entities aim to implement the divine objectives of Zakat including collection, distribution and management. Hussain (2001; 2011) showed that the theoretical framework of Zakat institutions comprises the scope (objectives), focus (rules, regulations, and policies) and processes (different methods and techniques). Accordingly, its stakeholders include Zakat payees (obligatory and voluntary payees), employees (admin staff, Sharia boards/committees etc), community, government, and Zakat receivers prescribed in the holy Quran. The focus on the poor and needy stems from the fact that they are the main envisioned stakeholders that all social policies and Zakat institutions' objectives revolve around.

The dynamics of identifying and reaching the poor and needy as the prime target of Zakat institutions overshadowed by recent developments in the literature, in particular the investigation aims to assess the following factors:

- How Zakat Institutions utilize the developments in knowledge sharing and knowledge exchange for more efficient and effective poverty alleviation practices.
- The strategic commitment of ZI to reduce poverty as a multifaceted phenomenon and to establish the necessary condition to promote change in a dynamic nature of poverty reduction processes as an Islamic obligation.
- The needs to promote and sustain knowledge creation (portfolios) and knowledge sharing in poverty alleviation depend on a rapid growth of information and the move towards knowledge management in Zakat activities and processes in collection and distribution. Given the unstable flow of collected funds, distribution is highly dependent on processes of creation and acquiring knowledge.
- While more Consumer Centric imputes came from inside these institutions, knowledge exchange with other stakeholders including community is a vital objective.

This chapter assesses the interrelationships of CCKM and poverty alleviation approaches in ZI considering the poor and needy as the main envisioned stakeholders. It tries to identify areas in which ZI

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can contribute to the existing knowledge in alleviating poverty. It departs from deliberating the landscape of poverty alleviation reviewing the contribution of knowledge on poverty alleviation by key agents of knowledge. Similarly, the investigation relates major strategic focus of poverty alleviation to CCKM processes. Accordingly, the chapter explores the main gaps that led to identify internal and external outreach challenges. The latter stipulates the importance of poverty intelligence portfolio that focuses on the key elements of CCKM namely: poor and needy intelligence; demand intelligence; situational intelligence; and networking intelligence. The chapter is assertive stressing on examining these elements to improving consumer centric knowledge management approach as a mean to alleviate poverty.

In what follows, the chapter first begins with a general background discussing the recent development on the topic highlighting the importance of investigation. Then, it assesses the role of CCKM in Zakat institutions. The chapter scrutinizes the landscape of poverty alleviation defining the main contributions made by key knowledge agents. The role of poverty alleviation as strategic goals in ZI is then examined. This provides the study with the major KM gaps that could affect ZI outreach highlighting the main internal and external challenges. Poverty intelligence portfolio is discussed, assessing key CCKM elements including: poor and needy intelligence; demand intelligence; situational intelligence, and networking intelligence. To instill these elements institutionalization process is discussed. The study highlights future research themes.

BACKGROUND

Knowledge is considered one of the most valuable resources for growth and sustainability (Shin & Kook, 2014). In recent years, consumer centric knowledge management led to improving the quality of business management (Al-Shammari, 2011). Since 1980 customer - oriented models for public sector became popular (Chen, Yu, Yang & Chang, 2004). Over the past decades consumer – focused, consumer centered, consumer relationship management etc. dominated the literature suggesting the move towards consumers as a driving element in shaping business's success. There is an immense literature on CCKM dealing with businesses growth and the importance of customers as a focal success in satisfying all stakeholders' interests (Adebanjo & Kehoe 2001). The approach enhances organizations' practices to improve their effectiveness in dealing with the customers. This implies mobilization of all organizational resources; creating cultural shift that strengthens organizational capabilities and connection to view their consumers' needs. Classical knowledge sharing models suggest that knowledge transfer and / or sharing process involves the conversion of tacit knowledge into explicit and vice versa (Nonaka and Takeuchi, 1995; Nonaka & Krogh 2009). For them the conversion of knowledge from tacit to explicit and then tacit is the base of knowledge creation.

Recent advances in consumer research emphasized that poverty alleviation lacks a formal consumer behavior approach (Davis and Pechmann, 2013). However, the third Transformative Consumer Research Conference at Baylor University (2011) provided a new framework for alleviating poverty. The framework identified two important concepts to understand poverty: felt deprivation and power (Blocker et al, 2013). It proposes five streams to achieve its effectiveness including alleviating stress; productively engaging institutions; fulfilling aspiration; leveraging trust and social capital and facilitating creativity and adaptation. This will improve poor people consumption choices, capabilities, and capacity. Transformative consumer research, in this sense, seeks to inspire consumer researchers to improving lives

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of the poor by providing significant insights on wellbeing agenda. Its impacts cover opportunities and challenges for consumer research, and opportunities and challenges for social and government entities.

Interestingly, Werhane Kelley, Hartman & Moberg (2010) argued that for-profit multinational enterprises have a role to play in poverty alleviation, introducing the concept of poverty alleviation through profitable partnerships with the poor for mutual gains. VanSandt and Sud (2012) extended this argument explaining how the power of business, inclusive growth, role of institutions and collaborative entrepreneurship work together to build a framework for alleviating poverty. The approach has the potential to alleviate poverty while, enhancing corporate profits through mutual benefits, transparency, and cohesive long-term vision.

Trends of developing a demand-driven approach to knowledge management had been elaborated by several scholars and organizations i.e. Koenig, (2002); Bennet and Bennet (2000). For Firestone (2003) the coexistence of supply – and demand – side Knowledge Management (KM) still dominating the field. However, growing concerns with innovation and intellectual capital can only be influenced by a wider embracement of demand-side approach. Peppers and Rogers (2006) developed the 360 degree of customer views that helped organizations to work together to deliver superior customer experience that maximizes benefits.

Research on poverty alleviation strategies traces the implementation of different countries' national poverty reduction strategies. A common goal of all strategies revolves around coordinating the efforts to produce an impact on the poor (IDB, 2006). Zakat institutions play a central role in this sense; however, Jelenic (2011) showed the importance of knowledge as a vital strategic resource for organization in the 21st century. Kaplan and Norton (2004) extended their original work on businesses' strategies; focusing on strategy maps that consists the four perspectives including learning and development, internal, customers and financial perspectives. Customer's perspective depends on how organizations value their views generating the necessary operational & cultural changes to manage their processes. In developing intangible assets into tangible outcomes, many scholars, among them Peterson, M., Ekici, A., & hunt, D. (2010) highlighted importance of the poor people perception and related business' activities. In general, the complexity and unpredictability generate serious challenges to knowledge creation, transfer, and capabilities. However, there are several shortcomings to knowledge transfer including knowledge barriers (Landaeta, 2008; Bengoa, and Kaufmann, 2014).

At times where resources are limited, organizations must focus on matching the management techniques to the desired knowledge outcomes and needs of different parts of their organization. Mc Laughlin (2007) indicated that certain parts of organization have different knowledge transfer profiles and as a result require different knowledge focus ensuring investments in knowledge management should be directed to the right projects.

Understanding the mechanisms of poverty and poverty alleviation issues have been the concern of local, national, and international organizations. The emphasis on knowledge as a key instrument for catalyzing change is evident by the development institutions, policy makers, academician, and practitioners (KDI & WBI 2011). The World Bank (2011) indicated that countries rate of acquisition of knowledge as more valuable than financial lending. Its literature suggested tripartite initiatives including standardization of governance and measurements of results; developing comprehensive framework for connectivity across the core knowledge product and the openness of knowledge. Equally, FAO, WFP and IFAD (2012); extended the focus to improve the overall environment and risk management capacity of the poor suggesting strengthening individual and collective capabilities of the poor.

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Despite massive progress in reducing poverty, the World Bank, IFAD (2011) indicated that there are still about 1.4 billion people living on less than US$1.25 a day in East Asia, and close to 1 billion people suffering from hunger. Muslim countries constitute the bulk of poor people in East Asia and in North Africa (World Bank, 2009; Ali, 2003). The Organization of Islamic Congress (OIC) believes that more than 55% of its members were below the poverty line. Such statistics questioned the efficacy of Zakat Institutions to reduce poverty and expand its spatial outreach to distribute Zakat funds.

The prime functions of Zakat institutions are to collect and to distribute Zakat. Their processes require generating, acquiring and storing knowledge for both purposes. Zakat is often associated with prayer in the holy Quran (Quran: 98; 5). As an obligatory, all Muslims have to perform. While there is no huge differences in categorization of Zakat distribution, variation between scholars overshadowed different aspects of disbursement of Zakat distribution programs and projects. The strategic focus of poverty alleviation targeting the poor and needy is well documented in the holy Quran, where many verses indicated the importance of caring for the destitute and the poor (Quran: 51: 19; 70: 24 – 25; 9:60).

Zakat is for the poor, and the needy and those who are employed to Administer and collect it, and the new converts, and for those who are in Bondage, and in debt and service of the cause of Allah, and for the Wayfarers, a duty ordained by Allah, and Allah is the All-Knowing, the Wise (Quran; 9:60)

The processes of Zakat distribution focused on outreach explained mostly by Sunnah[2] encompassing identifying the poor, approaching them, deciding on the services / product etc. Since poverty is dynamic and multifaceted, there is a need for knowledge management to introduce sound methods that fit with Zakat strategic goals and contemporary operational tactics. Although, there is relatively sufficient tangible resources for Zakat institutions (originated from collection), intangible ones are questioned especially the availability of internal knowledge to improve poor and needy networks. Consumer Centric Knowledge Management in Zakat distribution's plans are now emerging as one of the possible solutions to the inappropriate use of Zakat funds collected by Zakat institutions.

Accordingly, the vision of Zakat institutions is to improving Zakat outreach; however, the nature and characters of Zakat institutions embodied the main areas of consumer centric knowledge management approach. Distribution processes start with defining the poor and needy; approaching them; processing their claims and giving them the product / services or support they deserve. As the mainstay of the studied approach, this process implies the exploration of the needed knowledge in defining who is the poor and why? Such knowledge is required to manage the processes of reaching the poor and needy.

Zakat institutions as learning organizations can create value for the poor and needy if they exploit their knowledge to the benefit their strategic objective. At this stage, the processes trace the breadth and depth suggesting exclusionary tendencies and their concerns. All processes, practices, and decision-making should rely on solid data mining "poverty intelligence". Institutionalization these processes is an essential factor in such change and development that creates competitive edge for Zakat institutions. El Salihi, (2006) emphasized that Zakat has the potential to play a pivotal in Islamic financial system, while others call for immediate incorporation of Zakat into the Islamic system to correct societal ills (Abdul Rahman, 2007)

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THE ROLE OF CCKM APPROACH IN ZAKAT INSTITUTIONS

The emphasis on customer centric knowledge management as a key instrument for catalyzing change is evident by the consumer centric approach. The literature on small firm (organization) networks stresses on collective action for local development Bassi, et al (2014). It argues, collective actions opens up new opportunities (resource access), network economies, reduce transactions cost, and coordinate poverty alleviation efforts. Zakat institutions are the foundation structures to form, and to implement poverty eradication policies including support, governance, and leadership. In Islam, Zakat Institutions are qualified to play a pivotal role as they work closely with local organizations networks to ensure that poverty alleviation efforts and systems work together to provide integrated, coordinated, and flawless services to the society (Hamad El-neeil, 2012; Hussain, 2001; El Magboul, 2010). They have unique characters that differentiated them from other poor and needy oriented organizations extending from rural, urban, national, regional, and international spectrum.

First, Zakat has a religious tie and societal benefits that generate cultural and behavioral advantages. It is an obligatory duty for Muslims to pay their alms according to payment conditions[3]. Second, it is a self-sustained organization depends on its two tiers Zakat collection and distribution. Wealthier Muslims give Zakat on an annual basis for their wealth and economic activities. Third, flexibility is maintained by ZI structures and decentralization approach. ZI are independent bodies serve to instill Zakat collection and distribution (setting policies, measures, procedures and managing processes). However, they accept donations and charity for the benefit of poverty alleviation processes as prescribed in the holy Quran. Forth, ZI act as knowledge agents to creating and sharing necessary understandings based on Islamic values to reduce poverty and other societal drawbacks. Accordingly, Zakat institutions encompass the following knowledge management activities:

- From strategic knowledge management points of view, the role of Zakat as a divine obligation seeks to purify and develop individual (and society's) wealth hence to please the Creator. The vision of Zakat institutions in this sense aims to purify individuals and societies from many socioeconomic problems including poverty and destitute. Knowledge and information are needed and constantly should be reviewed, evaluated and controlled against Islamic knowledge (*Sharia*).
- Tactical knowledge management informs Zakat institutions to establish of general rules, procedures, means and responsibilities to deal with processes of Zakat including both elements collection (giver's side) and distribution (receiver's side).
- Operational knowledge raises the concerns of efficiency and effectiveness of Zakat funds. Utilization should be made in-line with strategic and tactical knowledge management. This implies continuous improvement in developing systems of creating, storing, disseminating, and using of knowledge and information.

The adopted principles and methods of Knowledge Management in Zakat institutions cover the following areas:

- Zakat Institutions usually process modern information and its infrastructure on both collection and distribution of Zakat funds.
- Knowledge sharing with other governmental and NGOs and community-based organizations regarding sources of funds (collections) and outreach programs.

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- Tacit and explicit knowledge are required from both Zakat payees and receivers to perform their obligatory duties and to attain their rights respectively.
- Zakat Institutions have to live-up with expectations of the society objectives.
- Good practices can be emanating from adapting to and adoption of ICT and other technological methods.

Accordingly, Zakat institutional "organizational" knowledge had been generated differently in numerous ways including human minds, documents notes and reports and Islamic scholars' recommendations (Fatwa's). The emergence of computer – based communications technologies had not only complemented the traditional methods of acquiring, sharing, and utilization of knowledge and delivery methods; but also improved the efficiency and effectiveness of the overall knowledge at the collection front. Many researchers in Islamic world i.e. Bakheet (1998) and Awad (1993) in Sudan and Kahf (1997) Pakistan stressed on research and development in Zakat to strengthening its theoretical framework.

As defined by many scholars; consumer centric "is an approach in which company focuses on creating a positive consumer experience at the point of sale and post-sale. It adds value to a company by differentiating themselves from competitors who do not offer the same experience". The focus on distributional aspect of Zakat funds (collected by Zakat institutions) necessitated that all products and services activities and entitlements should be driven by needs / wants of the poor and needy. It entails the following elements of consumer centric approach:

- Knowledge for, the poor & needy (environment & entitlement),
- Knowledge about Zakat institutions' people, processes and structures (means),
- Knowledge about the required data / information (intelligence),
- Knowledge about outreach and its processes.

Zakat institutions have accumulated considerable experiences through which they developed and improved their performances. Transference of the knowledge they gained remains modest to the expectations of institutions, the needy, and the society. Employing consumer centric element depicts knowledge gap challenges to fulfill Zakat objectives including transferring, reusing of standard knowledge; how to identify, reach and manage the poor and needy? The landscape of these types enhances organizational knowledge culture; Abdul Rahman (2007) highlighted the need for integration Zakat processes into the mainstream of Malaysian Islamic Financial System. This needs to enforce fairness in Zakat processes (collection and distribution), standardize Zakat accounting and performance measure. Bias in Zakat theoretical framework (scope, focus, and process) hindered comprehensive integration and knowledge sharing in the Sudan (Hussain, 2001). Wirts and Tomlin (2000) generated varied generic steps of institutionalization process. It departs from solid preparation that describes institutional assessment including strategic review operational problems and challenges; information needed allocation of resources and capacity analysis. To accommodate CCKM approach the following challenges deem important.

First, standard distributional knowledge is the long-standing challenge for effective Zakat institutions. A number of scholars (i.e. Al Qaradawi, 2000; Bakheet, 1995 and El Magboul, 2010) identified that Zakat distributional knowledge lagged behind the collection one. The awareness of tacit and explicit distributional knowledge includes the knowledge locus and capability of interpreting the knowledge before applying it.

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Second, the learning culture is the biggest concern for Zakat institutions to realize their potentials, not only on their socioeconomic potentials, and on internal processes, but also the potentials for the collective actions at different spheres. Zakat institutional "*organizational*" knowledge management processes are therefore to generate tacit and explicit knowledge identifying possible points of entry to collaboration and collective actions in order to create positive knowledge, encourage experiences and thus initiate a paradigm change among the poor and different local organizations (Hussain, 2001; El Salous, 1998).

Third, poverty intelligence visibility into poor and needy information is limited to eradicate poverty. The CCKM approach as a demand driven strategy requires "Poverty Intelligence" to manage poor and needy experiences to build fruitful relationships in the path of differentiation and growth. This enables Zakat Institutions to access individual information identifying the value and the need of each person and to deliver the best response.

DELIBERATING POVERTY ALLEVIATION

Changing the Landscape of Poverty Alleviation

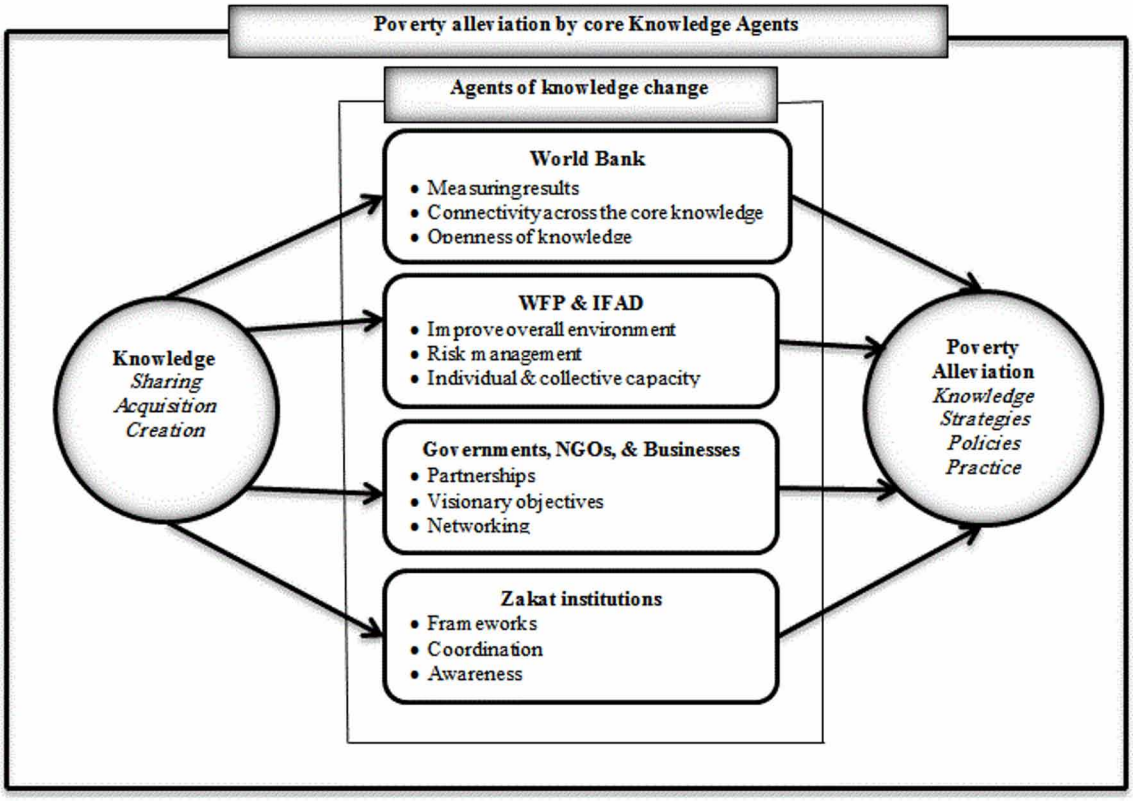
The potential impact of knowledge on socioeconomics development processes and the possible use of knowledge management as an effective tool for poverty alleviation have led the global debate on the role of knowledge as enabler of poverty reduction. Despite a consensus that knowledge is positively relate to economic growth, the literature categorized various institutions as agents of knowledge to alleviate poverty into four groups including: international organizations consists the World Bank, UNDP, IMF, FAO, IFAD... etc.; governments and governmental bodies; NGOs and not for profit organizations; and entrepreneurs.

Developing countries and development partners are investing considerable resources in harnessing the promise of poverty reduction and economic growth. There are major differences between developed and developing countries in the effective use of knowledge and knowledge management. These differences implied sharing knowledge on all aspects of poverty calling for new approaches to reach the poor and the needy (destitute). These agents created, acquired, and shared knowledge on poverty alleviation including strategies, policies, and frameworks. In practice, operational and technological approaches focus on how to identify the poor and needy and to assess their levels of poverty and destitute and why? The development efforts in developing countries exacerbated by the complexity of challenges in adapting the global knowledge and technology to local conditions and needs Rezaian (2007).

The figure reflects the following: first, knowledge has increasingly become a vital strategic resource to alleviate poverty. Key development agents reflect the importance of knowledge and knowledge management on poverty reduction processes as a consumer centric approach. Globalization introduces a "knowledge economy" that signifies intangible resources changing the patterns of socioeconomics activities and organizational operations. Accordingly, most processes including poverty alleviation are viewed through knowledge management. Developmental institutions as knowledge agents added significant value to knowledge creation, acquisition, and sharing. Their operations and performances have resulted in differentiated outcomes. Gebert (2003) evidently emphasized that where client – focused (consumer – focused) is an integral part in organization process; high level of institutional performance is generally achieved increasing the benefits from these organizations to their clients (consumers).

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Figure 1. Shows the contribution of key knowledge agents on poverty alleviation



Second, since the World Bank stresses on knowledge as a vital resource (not financial resource) for poverty alleviation, therefore, developing an adequate system of knowledge management is a necessity. Its framework relies on effective governance and standardization of measurements and results, knowledge creation, and sharing. The World Bank believes in the openness of knowledge and connectivity that utilizes different development models to promote growth, development and to reduce poverty. The consumer centric approach in this sense challenges organizations' special knowledge, managerial skills including technical and human capacities to improve their products and services for the poor.

A remarkable shift from product – focused to consumer - focused knowledge approach gains its stature as one of the most visible poverty alleviation methods. For instance, IFAD (2011) focuses on increasing poor people knowledge on basic skills, reducing risk, learn how to manage assets effectively, and to market their products, while interacting with others. The overall knowledge competences assumed to give poor people confidence, security, and power. This is supported the UNDP "Human Development Report," World Bank Annual Reports, and national countries poverty strategies. This shift overshadowed the effectiveness of tailored products for the poor and destitute that varied spatially and by the development agents.

Third, governments, governmental bodies, and NGOs implemented varied development approaches and models that aim to maximize benefits for the poor and needy, however, these efforts resulted in differentiated outcomes. In turn, it affects their sustainability creating new knowledge used to draw outlines, guidance, and practices on how to reach the poor effectively in order to improve their lives. Sharing

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knowledge rests on building effective partnerships and networking. The majority of national poverty reduction strategies and policies promote economic growth, improving governance, public service delivery. However, Barry and Tacneng (2013) questioned the integration of the latter into action plans for poverty alleviation and their effectiveness.

Forth, approaching the poor and needy is not limited to international organizations, governments, and NGOs; private sector (entrepreneur) too shifted their strategies, policies, infrastructure, programs, and projects targeting the poor. This tendency enlarged the landscape of poverty alleviation, departing from community engagement, social responsibility, and participation. The gradual shift from product oriented towards client oriented prompts the changes in organizations' behaviors and internal operations increasing the effectiveness and efficiency of these organizations. With the adoption of consumerism approach, the type of the offered products for the poor and their satisfaction are changed raising mutual benefits between organization and the poor. VanSandt and Sud (2012) explored the philosophy of inclusive growth stresses on the patterns of economic growth including its social and cultural dimensions. Accordingly, development strategies and policies objectives were set to ensuring that multiple strata of the society must share the benefits of globalization.

Fifth, the nature of utilizing knowledge in ZI echoes the growing challenges on building reliable frameworks including legal and organizational, and coordination among different Zakat Institutions (nationally and internationally) in a knowledge-based economy. Knowledge about the poor and needy mirrors their focus; however, intelligence and data mining are key knowledge processes that influence the quality of ZI performances. International conferences on Zakat issues organized by Kuwait Zakat House, and OIC persistently recommend increase coordination between organizations and the awareness of Zakat processes (Kuwait Zakat House, 2010).

Poverty Alleviation Processes and Zakat Institutions

Poverty reduction efforts stems from different schools of thoughts using various approaches. Two complementary developments in economic analysis informed poverty alleviation processes encompassing behavioral economics and capabilities approach in economics. The former focuses on how effective policies can be designed to reduce poverty, while the latter on what poverty is (Anand, and Lea 2011).

Measuring poverty is, however, the most controversial issue. Several methods measure poverty determine the poor and needy and entitlement; few of them are featured prominently in the literature. The most commonly used measure is the World Bank US$1.25 and / or US$ 2 a day. In recent years Human Development indexes extended income measures to incorporate human development factors as a result many measures had been proposed and implemented including Human Misery Index, HDI, etc. poverty lines too were customized nationally to accommodate different factors.

The nature of Zakat institutions and its search for creating value, introduced flexible measures. Zakat institutions use 85 ounces of gold as an income line to differentiate between Zakat payees and receivers. The line depends on current prices of gold. Spatially at macro level, it employs rank-size distribution of states and cities. In Islam knowing the poor and needy is not an easy process and it is solely the responsibility of the head of the State (or Zakat institutions) to define who the poor is. Depending on *hadith* narrated by Abu Huraira (R A); the Prophet (PUH) said:

The poor is not the one who goes around the people and ask them for a mouthful or two (of meals) or a date or two; but the poor (Al- Miskeen) is that who has not enough money to satisfy his needs and whose

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condition is not known to others; that others may give him something in charity and who does not beg of the people. (Al Bukhari; 2:55)

This hadith has added an invaluable contributes to knowledge including:

- Inclusion of behavioral issues in defining the poor,
- The importance of knowing the poor,
- Identification of the needs / wants line,
- The dignity of the poor and needy,
- Methods of identifying the poor.

Accordingly, the emerging knowledge about identifying the poor and needy accompanied these factors to the conventional knowledge including external forces "socioeconomics, political etc." and internal refers to one's capabilities and resources beside organizational knowledge. Anand and Lea (2011) suggesting that the poor are means-ends oriented, where, support this; behavioral approach is richer in explaining individual motivation and sociological limits.

Knowledge about the poor and needy sources that determine who is the poor? The increasing number of defined "poor and needy" by international organizations (World Bank, 2009) suggests that emerging approaches are yet to demark a definite conclusion on poverty outreach. The world community raises a growing concern on the number of poor people and socioeconomic situation in developing world and some Muslim countries. Despite these apprehensions, there seems to be little consensus on who are the poor and what constitutes poverty?

Poverty in Islam includes material, social, cultural, and spiritual poverty linking the notion of social protection to incentives. Sharia framework informs social systems that define structures, processes and most importantly the nature and intensity of individual needs (Hussain, 2001). Recent literature on poverty alleviation opens-up several opportunities for Zakat institutions to reduce poverty. To implement a healthier policies and programs ZI should focus on two strategic directions as Figure 2 shows. It summarizes the major strategic focus on poverty alleviation.

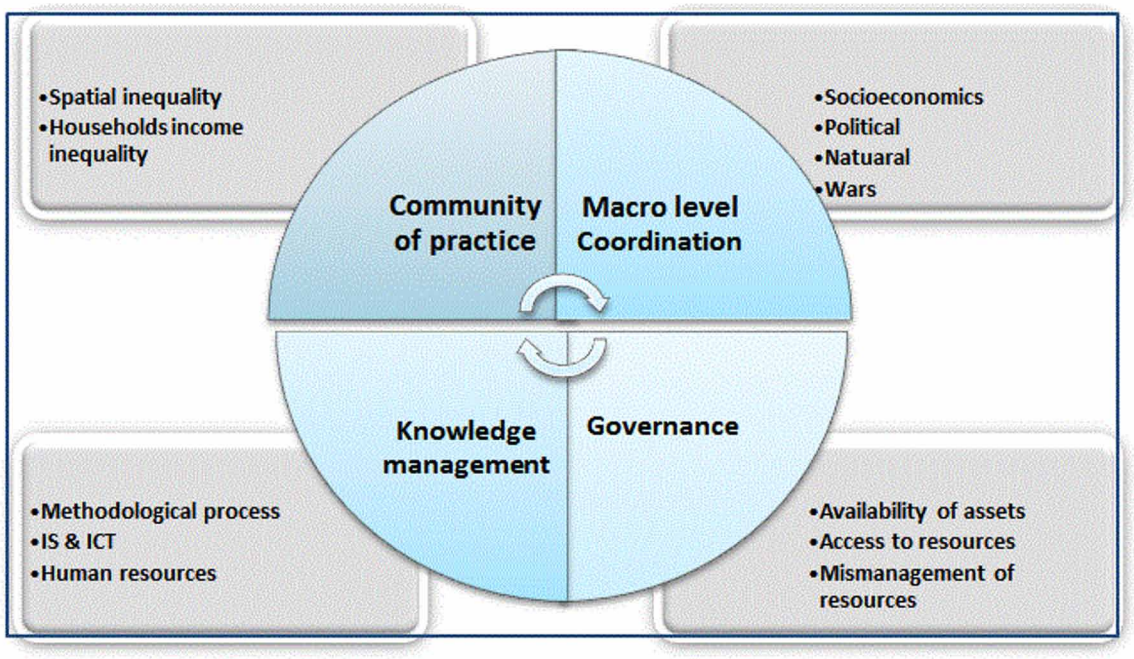
First, consolidate core knowledge processes concentrating on governance and knowledge management that leads to more transparent and effective poverty reduction policies and programs. Second, is to build the essence of communities of practice and macro level coordination. Establishing a healthier environment contributes to alleviation knowledge programs covering the causes of material and non-material factors linking them to socioeconomic, political, legal, and cultural environments. Strategic objectives nurture innovational knowledge creating a multidimensional, complex, and dynamic framework that accommodates changes, re-assessment of vulnerability and poverty causes, policies, and programs.

Internal factors comprises governance and knowledge management processes. First, governance, many scholars among them is Ali (2003) emphasized the importance of poverty alleviation that centered on the causes classifying them into two broad factors:

- Inter-temporal causes where poverty is perceived as a function of time. Cyclicality and marginality are considered the main drives of increasing the number of the poor especially in rural areas and suburbs. For the rural poor, cyclicality is rooted from the seasonality of agriculture and associated activities, where poor people in suburbs lack access to means of production and basic skills.

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Figure 2. The main strategic focus on poverty alleviation



- Cross–sectional reasons describe mainly variations of intergroup within the society. It depends, somehow on lack of participation in their affairs. These societal sections can be found in localities, states, regions. Access to resources, participation, and decision-making are among the main forces. Accordingly, distribution of wealth and power is a function of these forces. The dynamic nature of these processes makes it difficult to standardize what constitutes poverty and its space and time spheres.

Knowledge on these factors signifies the call for the breadth, depth, and impact of any poverty alleviation policies and programs prescribed by Zakat institutions and other organizations. Governance approach relates the causes (availability of assets - Zakat resources, access to resources and mismanagement) to the internal organizational processes namely knowledge management in ZI

Second, knowledge management processes would alter methods of creating, handling, storing and sharing information within ZI It includes knowledge about poor and needy captured by management teams where most processes were personalized based on user criteria. This type of knowledge must be transparent and accurate to identify required actions and capabilities. Similarly, knowledge from the poor and needy are collected. Poor and needy regarded as equal partners in discussing changes and improvements. To utilize knowledge from the poor, Zakat institutions must process knowledge into two ways to understand the perception of the poor with respect to the offered products and services.

Standard knowledge management underpins the basic functions behind the establishment of Zakat institutions and the rationale for their strategic aims. It implies breaking down strategic goals to categorized objectives spelling out different targets prescribed in the holy Quran. Understanding the eight categories (Quran; 9: 60) signifies specific knowledge on services' decisions including the complexity of

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behavior and ideas; the degree of involvement and the perception of received services (benefits) by the categorized beneficiaries. Distributional decisions, too, should be directed by the need and the availability of funds. Measuring success is another important factor to set performance indicator and communicated with targeted groups encompassing attitude, change, and beneficiaries' reactions.

External factors comprise macro-level coordination and establishing community of practice.

- Macro-level coordination tries to understand external socioeconomic environment and utilizes available opportunities and their spatial impacts. Understandings socioeconomics, political, and natural factors imply considerable knowledge on their dynamics in setting rural or suburbs poverty. In a Sevier manner, wars deplete natural and human resources causing human misery. It has portrayed as a cause and effect of socioeconomic, political, and social exclusions.
- Community of practice by ZI tries to furnish two types of relations: product (services) offered to the poor and information; and network related information. Lee (2014) explores acquiring and updating product knowledge is the prime concern for most local actors, not network related information. This self-interest reduces social power to eradicate poverty. Poor people and other organization without adequate knowledge and expertise they will be dependent on others. ZI are qualified to increase the awareness encouraging sharing knowledge and information not only in various product (service) offering, network information, but also in valuing information for the benefit of societal groups.

In practice, unequal distribution of income and wealth is main factor in capability approach to reduce poverty. Scholars differentiate between spatial inequality and households' income inequalities, Zakat institutions use the former as an indicator for strategic concern, while focusing on the latter as a practical means to reduce poverty. On balance households - income inequality may increase without substantial changes in spatial inequalities. In the contrary, income households are often contributes to spatial inequality. In this sense, Zakat institutions as developer of a community of practice, helps in the provision of knowledge and sharing understandings to identify and eliminate spatial and households' inequalities.

Various frameworks had been established to determine "who the poor is?" are resulted in different measures. The most striking patterns emerged from these frameworks is their varied nature in defining the main parameters and concepts. Different factors played disproportionate roles in shaping the scope of the emerging community of practices for poor and needy in international organizations (UNDP & the World Bank), national countries, NGOs, and Zakat institutions. These variations portray significant challenges in promoting sharing knowledge for poverty alleviation.

UNDERSTANDING ORGANIZATIONAL LEARNING IN ZAKAT INSTITUTIONS

Knowledge Management Gaps in ZI (Learning Environment)

Knowledge management moved to the forefront of all prevailing types of Zakat institutions in Muslim countries. First, the situation where there are no formal Zakat institutions, individual knowledge becomes crucial to account Zakat and to identify who are the poor and their entitlements. Second, in situations where governments are partially involved into Zakat, knowledge deems important to collect, and to distribute voluntary alms. Third, in the case of all Zakat processes are managed solely by the state as a

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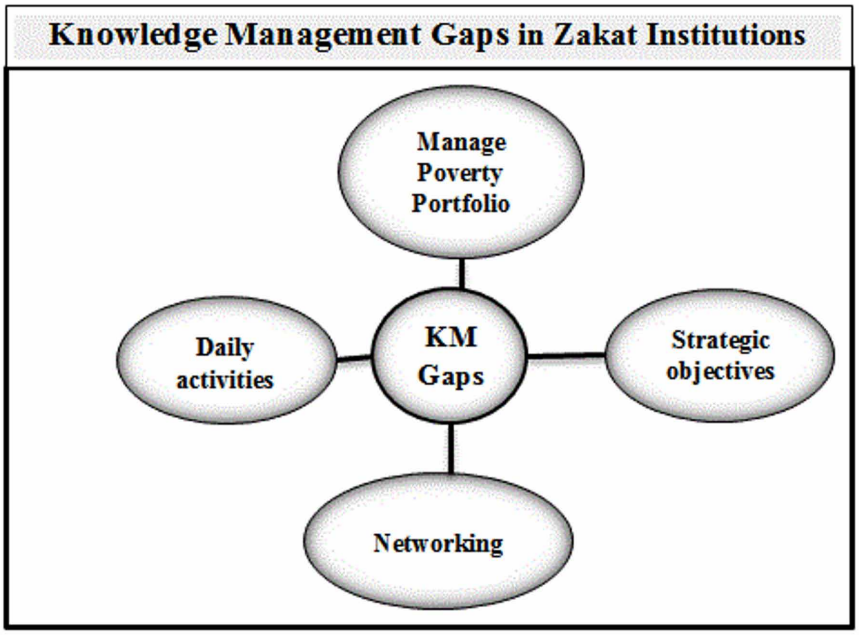
mandatory for all Muslims in a country (Zakat Bureaus, Zakat institutions, Zakat-Houses etc.), knowledge and knowledge management become vital to sustain Zakat objectives. This system is predominantly prevails in Saudi Arabia, Pakistan, Malaysia, Libya, Sudan and Yemen. All three types have resulted in differentiated knowledge management processes that had impacts and implications on the degree of poverty in the country and the magnitude of the need. However, the following gaps reflect the challenges to incorporate knowledge management in poverty alleviation in Zakat Institutions.

Figure 3 indicates knowledge management challenges (knowledge gaps) in Zakat institutions.

To promote healthier Zakat institutions the following factors arises as vital forces to lead Zakat institutions towards knowledge-based organizations.

- Most ZI established significant repositories comprising technologies designed to capture and store structured or written knowledge about the poor. Installing systems without addressing the related cultural and content management can result in host problems. Movements into and out of poverty arise from different changes including socioeconomic activities, time, and space. This needs knowledge to create and to share sustainable poverty portfolios.
- Failure to align ZI knowledge effort to poverty alleviation resulted in a minimal impact on the poor and needy. Internal governance is to focus on strategic vision of eradication of poverty and reaching the poor and needy. Both Zakat Board of Trustees and management teams at state and local levels should carefully assess their internal processes to accommodating the poor and needy views. Historically, this has been an area of knowledge debates between Sharia knowledge and professional knowledge to integrate new knowledge about the poor and vulnerable people and emerging socioeconomic activities to satisfy the societal goals. In most areas (localities), key needs are ill addressed or completely overlooked. These elements overshadowed the values of

Figure 3. Knowledge management gaps in ZI



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reaching the poor and making positive impacts. Supervisory board oversight should combine new standardized measurement systems to determine entitlement requirements. National advisory – supervisory / consultative – committee is to oversee the overall entitlement approach and their suitability for each location.

- Persistently, the OIC reports on Zakat calls for improving coordination and networking between and within Zakat bodies (OIC, 2008). Most ZI focuses on internal knowledge management renouncing potential opportunities associated with sharing knowledge with other Zakat bodies. In normal cases, healthier institutions benefit from sound external knowledge. This comprises knowledge about surrounding environment including market, information, and characteristic; other providers of similar services and their management and leadership styles; prevailing technology and available infrastructure including financial rules and regulations.
- Applying knowledge management into ZI processes implies a careful understanding of unique needs of various users groups. Delivery knowledge denotes practical usage of standard knowledge by Zakat institutions with relevant technology. Daily processing of this knowledge entails how Zakat institutions identify, reach, and meet both beneficiaries and organizational expectations. Excellence in delivery refers to easiness to do business in terms of day-to-day management processes. Personal touches by staff in the provision of the services accumulate managerial knowledge on the best way to achieve stated goals and objectives involving the mechanisms of resolving problems. A call to strengthening employee's knowledge is crucial to achieving goals together with better understanding of supported means of delivery and communications. Organizational knowledge displays different types of knowledge about the processes, related technologies, and organizational culture. The latter is fundamental to Zakat institutions historic and future social and institutional performance. Senior managers take important steps to communicate and reshape desired culture to balance developmental and institutional objectives. Strengthening knowledge management processes aims to ensure the organizational values are central to every employee. It affirms the importance of mission and values on an ongoing basis via organization's means of communications. Latest technology acts as a vital role in enhancing efficient delivery.

As an important factor, prudent behavior of Zakat institutions is very important to envision the divine goals of correcting societal ills i.e. poverty, in-debt and for the sake of Allah. In this regard, transmitting values and believes into actionable behavior is a crucial element for successful performances. This necessitates the incorporation the values of knowledge, fairness, and justice into ZI processes, structures, and people. Equity, too, is a concern for Zakat distribution; it does not mean equality between the eight categories mentioned in the Holy Quran (9:60). Understanding the nature of above challenges require managerial knowledge to building ZI as an organizational learning.

Zakat Institutions Outreach Challenges

Knowledge on poverty outreach has reflected on institutional performance. Barry & Tacneng (2013) emphasized that NGOs and voluntary organization are successful than formal ones like banks, and local governments. Poverty outreach measures efforts to reduce poverty and considers two aspects depth and breadth. Depth of poverty outreach indicates how the net gain from ZI of a given financial assistance, service, and support are valued by the society in general and poor people in particular. Breadth of poverty outreach denotes the number of poor people benefited from ZI financial assistance, service, and support.

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Within the setting of organizational learning, Zakat institutions need to consolidate their understandings on outreach processes and related knowledge. In practice, Zakat institutions outreaches processes rely on two basic methods claimants and informants. Claimants are poor and needy (individuals / groups) put their requests to Zakat offices justifying their need and destitute. Proves / support are necessary pre-requisite for accepting their claims before processing. The sequence includes local committee, local office, matching / mismatching entitlement's criteria and availability of funds at locality then the final recommendation. Visits to verify the claim might be included in the process. One of the biggest criticisms for this practice is that: direct measures are prone to bias, that the poor overstatement, understatement or withholding of information based on his perception that such action(s) will serve his interests.

In contrast, informants (individuals/organizations) who are legally responsible of identifying the poor among their localities are often the locality élites. They observe poverty and destitute in their areas notifying the most needed population reporting to the local Zakat office for assessment. Local Zakat officer prioritize all claims from different sources then report to local Zakat committee who reach a consensus on the rules, procedures against the allotted amounts. Key weaknesses in traditional approaches to Zakat outreach processes comprise lack of scientific utilization of knowledge management components, dependence on financial needs only; inability to handle huge number of claims; lack of efficient processes that links financial plans to actual distribution and inadequate timing. As a result in most cases, the committee prefers the breadth than depth which deepen poverty and destitute.

The main challenge faces ZI is the tradeoff between the depth and breadth of poverty outreach. The huge number of poor and needy within the domain of Muslim countries necessitates understanding of exclusion tendencies as a vital factor to reduce poverty. Poor and needy (consumers) have been informally and formally excluded by Zakat institutions.

Informal exclusion is the most significant areas in the shift towards consumer centric approach. Exclusion caused by various factors including: Lack of understanding poor and needy perceptions; kind of ZI product (service), policies or procedures that contributed more to informal exclusion; outreach processes; competencies; and lack of strategies to mitigate bias towards the poor. Zakat institutions processes also contributed to formal exclusion of poor and needy people. This includes the type of the product / services; discourage poor people to apply or reapply; matching poor people's need and organization's capacities. Lack of supporting documents, prove, and even field visits may result sometimes in formal exclusion. The most significant element in this regard is the limitation of the products; they were associated to financial products only, while some poor and needy requires capacity building and changing / redirecting their competencies and skills.

A self-exclusion referred to voluntary exclusion exercised by the poor and needy people themselves from Zakat institutions distributional activities. As noted in *Hadith* earlier, these types of people require close attention by Zakat institutions to contain their need and destitute. The role of Zakat institutions is to extend their outreach to identify them and to understand their perceptions for incorporation in the institutional strategies. Similarly, tracing back ex-beneficiaries of Zakat institutions' products to evaluate the change before and after to improving their products and the change in the poor and needy lives.

Given the selected learning environment factors and outreach processes, strengths include the following:

- Understanding Zakat institutional mission that envisage the complexity of environment,
- Sharing the value of continuous learning as a necessity to perform obligations and duties,
- Developing relevant learning style to accommodate exclusionary tendencies.

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International research (World Bank, 2012; UNDP, 2009) confirmed that countries with stronger local coordination systems and governance have better outcomes suggesting increased knowledge sharing reduces vulnerability and destitute. For instance in the Sudan and Pakistan, local authorities lack these efforts despite the existence of Zakat institutions and decentralized local governments systems (Hussain, 2001; Kahf, 1997).

Knowledge creation is embodied in all aspects of Zakat processes, a learning culture that governs its environment cover internal processes, external knowledge, and prudent behavior. Such framework is crucial to highlight the knowledge gaps and to improve outreach processes correcting exclusionary tendencies. Issues of time lags between knowledge creation and coordination and its uptake in practice remain the main challenge in Zakat Institutional learning. These require careful understandings to improve Zakat institutions' processes and capacities; and to concentrate on perfecting outreach methodologies and practices; and to consider knowledge management seriously in drawing entitlement criteria and the needed product or services.

POVERTY INTELLIGENCE PORTFOLIO

Poverty intelligence portfolio refers to a detailed knowledge (understanding) of the poor in terms of who they are, what they do, and what they do for living. Consumer centric knowledge management intelligence includes understanding of poor & needy intelligence, demand intelligence, situational intelligence and networking. The portfolio facilitates the following:

- Provide comparable knowledge to evaluate ZI performances.
- It supports decision-making process.
- It permits ZI to predict the outcomes of its own services and activities more accurately, and to learn when to anticipate response or coordinate.
- It provides networking enhancing communities of practice.

Poverty intelligence is an important element in applying consumer centric approach in Zakat institutions. It informs strategies, decision-making processes, and practices. It complements other elements of theoretical knowledge that identifies the poor people as a central stakeholder in organizational learning. The importance of poverty intelligence goes beyond understanding the poor; it is however, extended to consider factors that influences the existing poverty situation and possible future changes.

In this regard, its flow comprises knowledge for the poor to satisfy their needs and to disguise their destitute. Knowing the offered products and services by Zakat institutions are essential factors to the needy. Knowledge about the poor and needy is designed to understand the histories, economic activities, causes and the roots of poverty in personalized ways. For continuous improvement and feedback on the services offered by Zakat institutions, knowledge from the poor and needy is crucial. Ordóñez (2002) emphasized that such types of knowledge for customers and knowledge from customers are part of rational intellectual capital and their flow are critical in developing customer relation management. This entails standard elements in accruing knowledge "collect, store and distribute only the needed knowledge." To achieve successful CCKM approach; poverty intelligence is required to involve master database management, change management, rules, and procedures comprising the following:

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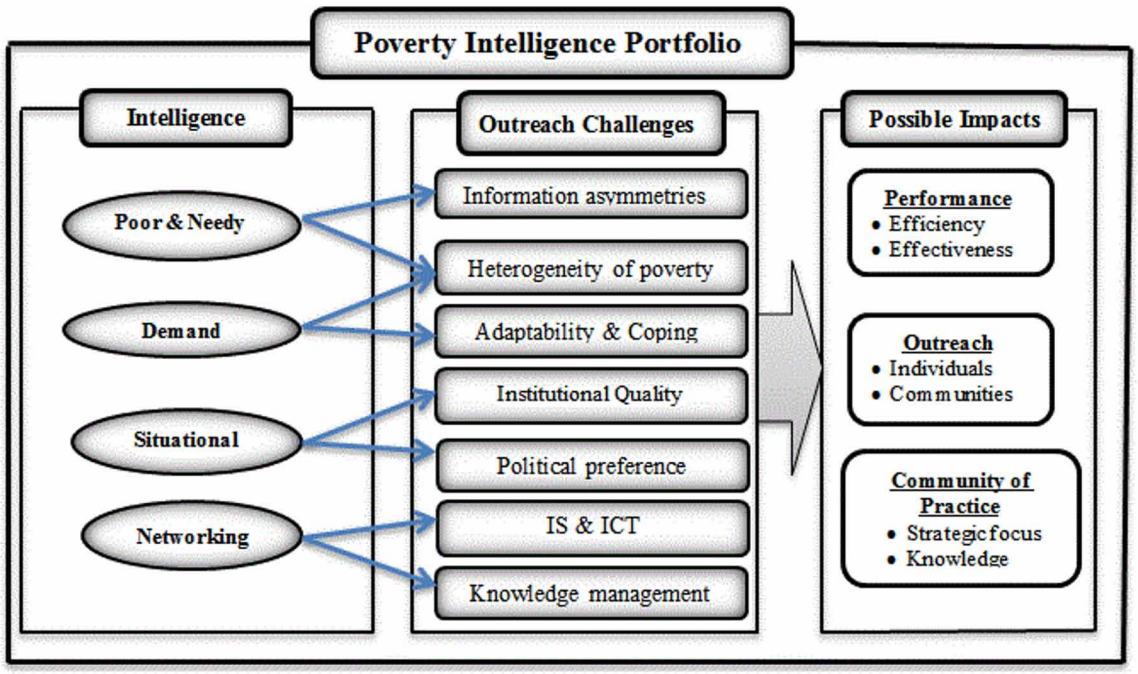
- Validating accuracy and availability of required data.
- Technical support in all aspects i.e. IT, communication and training.
- Defining intelligence processes, adapting best practices, internal requirement, and knowledge about, for, and from the poor & needy. This incorporates expectations from the system and from the poor and needy.

Figure 4 identifies poverty intelligence portfolio including types of required intelligence, outreach challenges, and possible impacts. . It is clear that the portfolio components reflect the essence of CCKM, it shows their possible impact on three different areas ZI performance, outreach, and community of practice. Achieving the ultimate goal will be accelerate by recognizing outreach challenges, capabilities, and developing a focused organizational culture evolved around the poor and needy.

Poor and Needy Intelligence

Poor and needy intelligence encompasses current poor & needy people, previous client, and vulnerable people. It refers to a detailed understanding of the three types of poor and needy including: First, basic database reflects necessary socioeconomic, demographic information comprising essential income and wealth assets and their source. This is the prime source to assess the entitlement. Second, storing, processing, analyzing, and sharing data to verify and to compare poor people status and progression. Normally, assessment procedures include field visits' reports on a regular basis to observe changes. Third, satisfaction data oversee the degree of satisfaction on Zakat institutions products / services. Internal and external surveys (interviews) used on regular basis to supply the necessary information. Forth, feedback

Figure 4. Poverty intelligence portfolio



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database reflect the regular perception of the poor and needy (customers) on all ZI processes. Poor & needy intelligence used to enhance decision-making and to improving distributional processes.

Although, information asymmetries is the main challenge for current poor & needy; the intelligence should focus on the following:

- Identify the poor purpose for each services offered by ZI.
- Plan the process around the poor's requirements.
- Identify the support required by each poor people to deliver effective services. This will build ZI around effective delivery of these services.
- Provide access to services offerings using different means of communications.

These steps consolidate the essence of consumer centric knowledge management in ZI.

Demand Intelligence

Demand intelligence provides detailed insights into what items and in what quantities ZI provide in different circumstances. Zakat institutions deliver varied products and services ranged from financial, services support, means of production, assisting individuals and families, supporting education, health etc. Demand intelligence vary over time and between places involving the following offerings: first, direct financial support for both individual and collective poor people. Second, it enhances services including health and health insurance, education, water electricity etc. Third, ZI provide means of production for both individuals and communities. Forth, consultancy and knowledge sharing, in most cases this is not used satisfactorily.

Globalization generated diversified economic activities that resulted in heterogeneity of poverty. Accordingly, poverty perceptions had changed, hence ZI services that targeting the poor. In theory, the distribution of Zakat aims to convert Zakat receivers to Zakat payees suggesting the giving should be sufficient providing the necessary means for transformation. In practice, adaptability and coping with knowledge base economy entail scrutinizing the actual services offered, and the targeted services; and the desired services. Studies on drop out or ex-client are very rare in Zakat institutions. Ex-client information can be used as "key performance indicator" for the institute or as a reflection on the depth of institutions' products. External research in this matter is important to justify the validity of the service. Exit monitoring system offers useful insights about magnitude and reasons for dropout. Revisiting ex-client's database with new developments and changes is necessary to compare existing clients with previous ones. Interviews or surveys are utilized to gather these types of information. Current systems in Zakat institutions need to be revised to improve the objectivity of the information.

Situational Intelligence

As a basis for strategic decision-making, situational intelligence focuses to understand the broader environment in which poor people live and interact. It provides knowledge on external environments that shape poverty and vulnerability conditions. It depends on national and international socioeconomics information as key indicators in understanding poverty environmental factors. Local areas economic activities furnish the required components to mapping poverty and vulnerability. Institutional information compares the competitive status between similar services' providers. Competitors normally differ in

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terms of targeted groups, strategies, systems, scope of work and communication. Existing infrastructure is however, helps identifying potential link between present policies and actions and future outcomes. Institutional quality and political preferences are the main challenges. Situational intelligence attempts to capture broadly based strategic thinking on long-range time horizon enhancing the following:

- Detection of possible threats and opportunities recognizing weak signals and their consequences in spreading poverty in the future.
- Develop contingency plans to avoid severe impacts.
- Becomes more effective in decision-making, good decisions normally rely on good information.

Zakat institutions should coordinate remote areas' database and their processes by identifying the need, observations, and self-assessment. Mapping the overall environment materializes certain criteria including scoring, ranking, and prioritization institutional involvement on poverty alleviation.

Networking Intelligence

Networking intelligence refers to develop community of practice in poverty alleviation within which situational learning develops, information exchanged, and knowledge shared to reduce poverty. It results in developing a set of relations among ZI, local institutions, individuals and the rest of the world. Intelligence networking highlights shared knowledge and activities where members:

- Possess and develop shared values and attitudes (dynamics) to reduce poverty.
- Members contribute in creating, storing, and sharing knowledge to alleviate poverty.

In particular, Zakat institutions, intelligence networking seeks to:

- Coordinate between Zakat institutions to exchange experiences and practices.
- Ways to upgrade Zakat sources and funds.
- Standardization of Zakat practices.
- Reach a consensus on legal frameworks.
- Increase awareness of Zakat issues.
- Exchange experiences with the poor and among the poor.
- Educate the poor.
- Offer training for vulnerable people.

Developing poverty portfolio as a foundation in implementing consumer centric knowledge management in ZI hindered by various challenges among them is capabilities, knowledge sharing, accessibility, IS and ICT. Successful poverty portfolio and intelligence networking enhance ZI to focus on knowledge and knowledge management, and to integrate internal processes to becoming a pro-poor focus. Other benefits include improving performance (efficiency and effectiveness), and improving outreach for both individuals and communities.

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FUTURE RESEARCH DIRECTIONS

By assessing the interplay of CCKM and poverty alleviation knowledge in ZI the findings showed that, significant knowledge gaps remain unaccounted for. Future research is needed to improve Zakat institutions organizational quality and effectiveness to alleviate poverty. First, the discussion on CCKM processes in ZI opens up a need to further investigations on knowledge management processes. Investigations in these areas will increase the understandings of identified gaps in governance and knowledge management processes, and the type of products or services and related knowledge.

Second, analysis of outreach as means of improving poor people well-being and the effectiveness of ZI require intensive empirical research on outreach methodologies, and outreach practices. The third area of investigation should focus on poverty intelligence portfolio and its components. Theoretical and empirical insights on knowledge sharing and transfer are required to enhance the overall institutional quality.

CONCLUSION

Consumer Centric Knowledge Management approach in Zakat institutions is considered one of the most valuable resource for creating, organizing, sharing, and utilization of knowledge for effective poverty alleviation efforts. Poverty alleviation has gained centrality in development agenda in the last decade. A number of factors explain these heighten among them is the growing no. of poor people in the world in general and Muslim countries in particular. This chapter assesses the interplay of the two developments using ZI as a premise to appraise their engagement to alleviate poverty. It departs from a central consideration that the poor and needy are the main envisioned stakeholders presented as strategic goal for all organization. It extends literature on poverty alleviation and KM providing key summary points of current advanced and limitation (gaps) in relation to ZI

Knowledge creation is embodied into Zakat operations. However, its development was hampered by learning environment, internal processes and prudent behavior. This deters Zakat institutions to benefit from sharing and collaboration processes limiting their learning abilities especially in outreach. Learning from other NGOs, national, international organizations around the world had been overshadowed by measurement methods and some material definitions. In comparison different perceptions, offering and approaches exacerbated tacit and explicit knowledge on the poor and needy, scope, outcomes, and impacts.

Changing the landscape of poverty alleviation turned out to focus on knowledge driven processes portrayed by key knowledge agents including the World Bank and IFAD. In general, this result provides a better understanding of poverty alleviation among ZI as well as other organizations. It highlights poverty alleviation and outreach as the basis for any strategic development goals focusing on knowledge sharing and network approach.

Developing an adequate system of knowledge management is a necessity for effective ZI to achieve their strategic goals. Although, ZI are yet to realize their potentials in knowledge creation and sharing; consumer centric knowledge management approach and governance enables them to recognize their internal abilities; while socioeconomics knowledge and community of practice facilitate the comprehension of their external capacities. The identified gaps include failure to handle repositories effectively; alienation of poverty alleviation efforts to strategic goals; networking deficiencies; and knowledge management daily activities.

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The study revealed the potential of Zakat institutions as an awareness tool, its institutional quality is yet to be materialized to favor poor and needy. Tradeoffs between depth and breadth of outreach necessitate the improvement of outreach methodologies and internal processing. The reliance on the poor to approach Zakat (social security) offices should be reversed to adhere to the methods noted in *Hadith*. These require careful understandings to improve Zakat institutions' processes and capacities; and to concentrate on perfecting outreach methodologies and practices; and to consider knowledge management seriously in drawing entitlement criteria and the needed product or services.

The proposed poverty intelligence portfolio illustrated in Figure 4, highlights poor and needy at the heart of poverty alleviation processes. It is clear that the portfolio components reflect the essence of CCKM, it shows their possible impact on three different areas ZI performance, outreach, and community of practice. Achieving the ultimate goal will be accelerate by recognizing outreach challenges, capabilities, and developing a focused organizational culture evolved around the poor and needy. The composition underlines poor and needy intelligence encompassing current, previous, and vulnerable people linking their diverse information to associated needs and products / services. Demand intelligence provides detailed insights of products and services to be offered, while situational intelligence complement with the understanding of the broader environment in which poor live and interact. Networking intelligence refers to develop community of practice in poverty alleviation within which situational learning develops, information exchanged, and knowledge shared to reduce poverty.

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KEY TERMS AND DEFINITIONS

Formal and Informal Exclusions: Informal exclusion from Zakat distribution is the phenomenon characterized by lack of understanding, processes, strategies and low staff competences; where formal exclusion denotes inadequate Zakat institutions' methods, criteria and policies that deter the poor and needy from benefiting from the offered products by various means.

Institutionalization Process: Institutionalization process is the means of incorporating CCKM components into knowledge management practices in Zakat institutions.

Poor and Needy: Poor and needy are those sections in the society below the acceptable level poverty measures.

Poverty Intelligence: Poverty intelligence involves database management about the poor and needy and their environments.

Zakat Institutional Learning: Zakat institutional (organizational) learning is a prudent behavior of knowledge acquiring, sharing, storing, and dissemination of knowledge; processes; related technologies and Zakat institutions culture.

Zakat Institutions: Zakat institutions are religiously based organizations aim to match payees' obligations and receivers' rights on prescribed alms.

Zakat Outreach: Zakat outreach is the processes of distributing Zakat to its prescribed categories mentioned in the Holy Quran as end beneficiaries.

ENDNOTES

[1] The Arabic word of "Zakat" means purification and growth. Its dimensions extended to spiritual, economic, social, and developmental. For more elaboration, see Al Qaradawi, Y. (2000). Fiqh Al Zakat, English Translation by Kahf, M. Jeddah; King Abdul Aziz University: Centre for Research in Islamic Economics.

[2] Sunnah is considered as a path or method of what prophet Mohamed (PBUH) said, did and approved.

[3] Conditions include sufficient amount, duration, the type of wealth or economic activity etc. For detailed criteria, Al Qaradawi (2000) provides significant development in different categories.

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Chapter 81
Macroeconomic Reasons for International Migration Development

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ABSTRACT

Fast-growing international migration as a factor of labor market globalization is an important trend of the world economy and a determinant of social-political transformations. The study of fundamental economical reasons for international migration is relevant due to their prognostic, predictable, and normative potential, which can be used in conditions of global economic non-stability. This chapter analyzes the role of natural resources, financial, and labor factors in economic growth of the modern states and studies relationships between stimulating the role of natural resources, finance, and labor with levels of modern countries' economy development. Based on achieved results findings about fundamental reasons of international migration, transformation of labor factor's role in providing an economical progress of the states, efficiency of positive impact of manufacturing factors (domestic and attracted from international markets) are offered.

INTRODUCTION

Factors for national economy development within the frames of complex global economic system, as well as conditions for long-term economic progress in turbulent market environment have always been prior areas of science research.

Analysis of factors affecting economic growth, consideration of economic cycles, studying of labor resources role in economic dynamic of modern states are a basis of social-economy forecasting and serve as a theoretical principle for national economic policy formation and development.

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Economic growth as criteria of national economic and social system development is an original result of Governmental economic activity, indicator of National well-being and guarantor of economic independence. Stability of economic growth, it's dynamic and qualitative content can demonstrate a real economic health of society.

Today, economic growth is a central problem of macroeconomic policies of all nations and states. On the one hand, national states are intertwined by complex cross-border economic relationships with participation of MNCs and international economic regulators. On the other hand, even in the conditions of economic globalization dynamics of economic growth preserve asynchronous, dependence on external economic conditions and domestic resource potential.

ECONOMIC GROWTH AS CRITERIA OF NATIONAL DYNAMICS

Economic growth in its narrow sense - is an interaction of exogenous and endogenous factors that are forming at the stage of manufacturing, gaining sustained character on the other stages of economic reproduction, and finally lead to quantitative and qualitative changes of the productive forces (resources, labor, technologies, capital and so on), to increasing of gross product and national welfare (Marx, 1986, pp. 46-49).

In a broad sense: economic growth is a reflection of current economic and institutional conditions that determines a direction of social movement, establishes a nature of social development in general (progressive, regressive or slow).

As an object of study economic growth has qualitative and quantitative determination; its substance is revealed through analysis of qualitative and quantitative characteristics.

It's necessary to clearly distinguish concepts of "economic growth" and "economic development ". Firstly, the development takes place even when there is no any growth. Secondly, development can be expressed in different structural changes, in various innovations that do not lead directly to economic growth. Thirdly, development can be carried out by declining trend, without quantitative growth and even with a decay of product or services properties.

Being a result of social reproduction, economic growth is not only an attribute of manufacturing. Appeared at the stage of manufacturing economic growth passes through the stages of distribution and exchange and finally manifests in consumption. There is very complex relationship between production and consumption. Despite an importance of production, last one is useful only as supporting of consumption. So economic growth that was born in the depths of production process, finds a real essence and content only in the end of reproduction chain (when product is produced, sold and consumed).

Economic growth as a complex phenomenon can be presented not only as a criterion of economic development, but also as a process with number of quantitative and qualitative economical and social indicators. Among them we can primarily note the indicators of absolute increasing of gross national and domestic product (GNP and GDP), national income (ND) and changes of these parameters in "per capita" terms.

We can use both of these groups of indicators. For example, focusing on the problems of economic and political potential, it seems more appropriate to use first group of indicators. However, comparing living standards in different countries and regions, it seems more preferable to use second group.

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An economic growth analysis becomes really reasonable when it carries out in a historical retrospective, with a highlighting of different historical periods. These factors define particular types of economic growth.

As a main criterion of classification we can use a mention of the main factors of social production. Basing on them we can identify three types of economic growth. Every of them has own characteristics and differences:

- Pre-industrial growth. Leading factors of pre-industrial growth have natural origin. This economic growth is characterized by increment of wealth in its natural form;
- Industrial growth is differing by a dominance of material, tangible conditions of manufacturing. An important indicator of industrial growth is dynamics of the gross national product;
- Post-industrial growth is characterized by increasing of human factor importance. Human is moving from a category of "means for goals' achieving" to a system of management and (later) production objectives.

Ability of the economy to grow up depends on several factors. As growth factors we can consider phenomena and processes that determine pace and scale of long-term increasing of real outputs, opportunities to improve an efficiency and quality of growth.

By type of influence on economic growth direct and indirect factors can be distinguished.

Direct factors make economic growth physically possible. This group includes the factors of supply such as:

- Quantity and quality of human resources;
- Quantity and quality of natural resources;
- Amount of capital;
- Technology of production;
- Level of development of entrepreneurial skills in society.

Indirect factors are conditions that allow a practical realizing of society's capabilities (potential) to economic growth. Such conditions are creating by factors of demand and distribution:

- Decreasing of market monopolization;
- Local tax regime;
- Efficiency of finance and banking system;
- Increasing of consumer, investment and government spending;
- Expansion of exports ;
- Abilities of reallocation of productive resources in economy;
- Current system of income distribution.

The economical impact of these factors determines a type of economic growth. Economic science distinguishes two types of economic growth, firstly formulated by Marx (1986, pp. 116-119). They are differed by ratio of results and factors of production.

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The first type is characterized by a quantitative increasing of economic resources (factors of production) usage: construction of new plants, power stations, roads, new land, labor and natural resources commercializing. This is extensive economic growth. With this type of economic growth a growth of GDP is achieving by expanding of scope of labor using with keeping condition when average productivity of labor in society does not change.

The second type is called "intensive economic growth". It occurs when GDP growth is higher than growth of economic resources' usage.

Extensive growth is a simple type of economic growth. Its main advantage is in providing an easiest way to increase the pace of economic development, making it relatively quickly and cheaply. Historically extensive growth transforms to intensive ones. Western countries, for example, completed their economic development by extensive way and moved to intensive one in the first half of the XX century.

Dutch economist Tinbergen, J considered relationships between factors of extensive and intensive growth in 1870-1914 (Table 1) (Timbergen, 1952, pp. 179-186).

Later, American economist Solow, R. (1974) found that in 1909-1949 more than 80% of growth of the U.S. GDP caused by technologies' progress (intensive factor) (not by usage of labor and capital).

One of famous researchers of economic growth factors - American economist Dennis, E. - divided factors of economic growth in two categories. First category includes physical factors of production (labor and capital), the second - factors of growth of labor productivity (Dennis, 1972).

For evaluation of labor factor's impact Dennison (1962, pp. 12-18) considered not only a size of the labor force, but also dependence of labor impact's on age, gender, level of education and training. For assessment of capital impact on economic growth he used indicators such as costs of housing, equipment, industrial buildings, inventories and foreign investment.

The growth of labor productivity, according to Denison (1962, pp. 15-18), is a result of following processes:

- Expansion of technological knowledge or improving of manufacture process' organization.
- "Catch-up" that occurs due the transmission of knowledge and technologies from highly developed countries.
- Improvement of physical productive factors' placement and their usage in industries and regions where greater economic efficiency can be achieved. When location of productive factors is close to optimum, productivity of their usage increases.

According to Denison (1962), there are some following possibilities for optimization:

Table 1. Ratio of factors for intensive and extensive growth in some countries of the world

Country	Factors for Extensive/ Intensive Economic Growth %
Great Britain	80/20
Germany	60/40
USA	73/27

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1. Absorption of surplus labor that formed as a result of agricultural production intensification;
2. Reduction of small independent producers' sector, that leads to similar consequences occurring in the agricultural sector;
3. Removal of world trade restrictions that improves an international division of labor.

Development of the world economy, following with a progress of manufacturing specialization and national consumption.

An analysis, conducted by Denison, E. allowed explaining differences in rates of economic growth of the USA, Western Europe and Japan in the postwar period. Thus, the economic growth in the U.S. was not only less significant (in 1948-1969 the average annual rate of economic growth in the U.S. was about 3.87%, 4.78% in Western Europe, and 8.8% in Japan), but also was stimulated by different factors (Dennison, 1962, pp. 12-18).

US economic growth more caused by increasing of labor and capital. Since the 1970s growth of labor productivity in the United States had only small impact on the country's economic development, because society sent more and more resources to devote an environmental protection and to develop a human habitat.

A situation in Western Europe and Japan was different. West European economies, according to the calculations of Denison, E. grown for 2/3 because of increasing of labor productivity.

50% of economic growth of Japan was due to increasing of labor and capital using, other 50% due to the growth of labor productivity. As a main factor of economic growth in Japan Denison (1962) considered an increasing of capital investment.

Denison analysis contained many interesting and unexpected conclusions. However soon it was subjected to serious scientific criticism. The main drawback of this approach appeared because of Denison, E. studied an efficiency of different factors of economic growth separately and ignored a process of their interaction and mutual influence.

In the 1970th economic growth in the U.S. and other developed countries slow down. A main reason for this trend was a decreasing of labor productivity.

In 1980 – 1990th a labor productivity slightly increased, but no-one leading countries came close to the rate of productivity growth of 1960th (this period Western literature is considered as the golden age of rapid economic growth).

Reducing of labor productivity growth, economists explain by influence of following reasons:

- Worsening of demographic structure of the labor force (increasing of the share of young people that born in the years of post-war "baby boom" and increasing of part-time employment);
- Increasing of spend for environmental protection and fight against crime;
- Sharp rising of the world oil prices in this period;
- Reduction of dynamic of innovations commercialization;
- Increasing of government regulation.

Some authors such as Acemoglu (1998), Amable (1994) and Kuznets (1968) have noted that the oil prices rising impacted on the rate of economic growth due to devaluation of existing capital. This process encourages new direct investments to replace existing capital and not to expand a production capacity. However, after replacement of energy-intensive technologies by energy saving ones other trend showed in the economy - acceleration of productivity growth (as evidenced by the 80- 90th).

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The model of intensive economic growth has a number of own features, characteristics and advantages:

- It is more sophisticated type of economic growth due to crucial role of scientific and technological progress. Therefore, it requires a high level of development of productive forces, engineering, technologies, higher education and professional level of employees;
- This type of economic growth gives abilities to overcome a problem of resources' limitation.

However, a transition to intensive economic growth is not a simple matter. It requires a progressive restructuring of economy, an increasing of share of high-tech industries, a relevant training of workforce, and a mobility of productive factors in the economy. Therefore, a pursuit of market reforms is one of the conditions for economic growth intensification

LITERATURE AND APPROACHES' REVIEW

The formation of theory of economic growth at first stage was under the strong influence of researchers focused on theory of economic dynamics.

In the early twentieth century theories of economic growth and cycles formed in parallel. In particular, it is now well-known an attempt to create a model of economic growth (economic dynamics) by Kondratiev (1928) and to develop an aggregated conjuncture index.

The basic inputs for formation of the theory of economic growth have been carried out in the operation of National Bureau of Economic Research (NBER) in the United States under the heading of Mitchell, W. He focused on the analysis of economic cycles and market conditions. Formation of theory of conjuncture, that means an interrelated movement of cycles of different lengths also occurred in Russia, Germany, Switzerland, Sweden, and has been associated with the names of Ropke (1972) and Kondratiev (1928).

Note that all of these approaches are closely linked. The concept of the industrial cycles by Tugan-Baranovsky, M. (Michaelides et. al., 1996) had a major influence on the development of world economic thought in XX century. In this approach logic of economic cycles explained by:

- Mechanisms of fixed capital formation;
- Relationships between investment dynamic and loan interest rate.

Ideas of Mitchell (2006, 2008) and Tugan –Baranovsky affected formation of Kuznets and Hansen concept of economic growth.

It is obvious today that the theory of the investment cycle by Tugan –Baranovsky, M. was a basis of the theory of leading sector formation by Kuznets S. This facilitated a development of the theory of neoclassical growth (approaches of Blacksmith - Solow), nonaggregate theory of economical growth (approaches of Blacksmith - Rostow) and theory of technological structures.

If to consider development of the theory of economic growth through the prism of its relationship with problems of cycles and endogenous components of economic development, this progress can be represented in following steps:

1. Keynes (1936) model was under influence of cyclic paradigm and concept of economic multiplier. It should be noted that, historically earlier theory of the investment cycle by Tugan –Baranovsky,

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M. had a number of similarities with the later Keynesian theory of growth. Tugan- Baranovsky, M. and subsequently Keynes, J. considered multiplicative chains between investments, national income growth, increasing of demand and emergence of new sources for investment. Using a theory of over-accumulation by Marx, K., Tugan –Baranovsky, M. proved even a multiplicative effect of recession.

2. First Keynesians (Keynesian model of the Harrod - Domar) arguments contained reminiscences of industrial cycle and based on very strict technological assumptions (the constancy of the ratio between capital and labor that is independent on the quality of the labor and capital). So why this model was criticized by Solow, R. - founder of the neo-classical model.
3. An emergence of the neoclassical theory of economic growth of Solow R. with elastic production function and certain degree of freedom for the inclusion of additional factors of development (Solow residue) (Solow, 1974). Solow model is sufficiently well- known and focused on the analysis of alternative concepts.
4. Model of Tobin (1992) suggested that money is an asset equal to physical investment. Value of Tobin theory for development and practical usage of theory of growth is very high. This impact is indirect through the influence on the theory of economic cycles.

In general, a development of the theory of economic growth in the XX -XXI century shows that a business cycle can be explained by different effect of feedback and multipliers acting in the economic system. Factor structure of economic growth is sufficiently open, is not limited by interactions of labor and capital - or, for example, by the products of new technologies and effective demand.

In addition, economic growth as a macroeconomic phenomenon generates at different levels of the economy. In these terms a behavior of economic agents (for example, propensity of entrepreneurs to innovate, or consumer preferences changes) must be taken into account.

In this regard, an accumulated stock of economic science and research methods in the field of technological, industrial and macroeconomic dynamics provides a possibility to develop delicate instruments for regulating of growth processes.

Most of existing approaches identifies few factors for economic growth that are related with natural resources, finance, labor and technological capabilities of the country. In this study we evaluated a role of each factor (resources, finance and labor) in providing of economic growth of modern countries from 2004 to 2012.

It should be noted that proposed study is not leveling a value of factor of innovative and technological development for countries' economic growth. In the limited frameworks of this study we considered a factor of innovativeness of national economic system in conjunction with national labor potential.

This decision is explained, firstly, through the direct relationships between innovativeness potential of the country and skills of its labor force; and secondly, due to dependence of initial innovation capacity of the state, national innovative background (that is highly required for generation and commercialization of innovations) on the quality of labor relationships within national economic systems (for example, role of the human capital in production, level of investments in the human capital, degree of intellectualization of production and so on).

The purpose of the study is to determine (based on the analysis of countries' macroeconomic indicators) an importance of three factors (natural resources, human resources and financial resources) to ensure a dynamic of economic growth of the modern states in short term (2004 - 2012).

In connection with this purpose following research objectives were set:

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- To analyze an impact of natural-resource potential on countries' economic growth based on calculation of economic efficiency of natural resources using by modern national economic systems;
- To define a role of financial resources of the country (based on financial macroeconomic indicators) to ensure countries' economic growth;
- To characterize an importance of countries labor potential in implementation of the world economic progress;
- To track a dynamics of factors for economic growth in modern states for last 8 years (from 2004 to 2012);
- To test an effect of "diminishing utility" for three factors of economic growth (resource, financial, and labor);
- To correlate dynamics of economic growth in the world with dynamics of economic efficiency of the using of natural, financial and labor factors in national economic systems;
- To conduct the study following hypotheses were identified:
  - **H1**: The dynamic of economic growth of the countries causes a disproportionate change of economic value of labor, natural and financial resources in economic progress.
  - **H2**: The financial aspect of economic growth is most susceptible for effect of diminishing utility, while the labor factor of economic growth is out of this pattern.
  - **H3**: Labor factor (including a factor of innovativeness) is the most important for economic growth of developed countries (with medium or low rate of economic growth).
  - **H4**: Financial resources are the most significant for economic growth of developing countries (with medium or high rate of economic growth).
  - **H5**: Natural resource potential is less important for economic growth of the countries with big natural resources potential (effect of diminishing utility).

METHODOLOGY OF THE STUDY

To conduct the study we used the secondary data - statistical data of World Bank (2004 – 2012) that is available on the World Bank official website (www.worldbank.org).

We used statistic data for 72 modern countries selected by their following characteristics:

- Demography and economic performance of the country (national GDP is higher than $1 billion, country has at least three national industries, population of the country is bigger than 1 million, country is relatively economic and social stable);
- Political situation in the country is stable (existence of a legitimate center of authority, country's involvement in the world trade, country's membership in international organizations);
- Required statistic data is available.

For evaluation of natural- resources role in providing of countries' economic growth we calculated a synthesizes index that aggregates following characteristics of the country:

- Estimated value of land and natural resources of the country;
- Share of mining in GDP;
- Energy capacity of the national economy;

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- Degree of energy concentration in the country;
- Energetic efficiency of the country;
- Country's share in world export-import of natural resources;
- Internal and external competitiveness of the country's mining sectors.

To assess a stimulating role of financial factors we calculated index that aggregates:

- Level of capitalization of the national economy,
- National annual balance of payments,
- Level of capitalization of the country's leading stock exchanges,
- Level of liquidity of the national economic system,
- Level of investment in fixed assets.

Finally, for evaluation of labor factor impact on national economical growth we used following macroeconomic indicators:

- Capacity of country's labor market,
- Productivity of labor,
- GDP per employed person,
- Rate of unemployment,
- National structure of employment.

Further these indexes were estimated in dynamic (2004 -2012) and were correlated to rates of economic growth of the modern states.

THE MAIN FOCUS OF THE STUDY

The results of stimulating economic growth impact of natural resources, financial and labor factors are presented in Tables 2, 7 and 8.

Taking into account that balanced value of each analyzed factors in countries' economic progress should be about 33%, we can note that highest role of natural-resources in economic progress belongs to rapidly developing countries of the Asia-Pacific region, North Africa and Latin America.

At the same time, countries with developed economic systems, and modest dynamics of economic growth (such as European Union, the United States), as well as small countries that are geographically deprived of powerful natural-resource basis (such as Kyrgyzstan or Armenia) have small stimulate impact of this factor.

In order to test a hypothesis of diminishing economic efficiency of natural-resources for economic growth, we made a comparative analysis of groups of different countries.

The first compared groups present countries with largest and smallest (among the analyzed countries) territories (land is one of the most important natural resource). The comparison of these groups is shown in Table 3.

Results of comparative analysis show that stimuli role of natural resources in ensuring of countries' economic growth is not reducing together with growth of their natural resource potential. However ho-

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Table 2. Stimulate impact of natural resources on economic growth of the modern countries (leaders and outsiders), 2012

Nº	Leaders	Index of Stimulating Impact of Natural Resources[1]	Nº	Outsiders	Index of Stimulating Impact of Natural Resources
1	Philippines	82.83	58	Sweden	24.84
2	Peru	77.28	59	Slovak Republic	24.66
3	Colombia	76.5	60	Belgium	24.61
4	India	75.83	61	United States	24.29
5	Morocco	73.22	62	Venezuela, RB	23.71
6	El Salvador	73.09	63	Latvia	22.8
7	Sri Lanka	72.51	64	Kazakhstan	22.53
8	Thailand	67.95	65	Finland	21.34
9	Panama	67.14	66	Canada	21.13
10	Montenegro	63.86	67	Saudi Arabia	20.92
11	Indonesia	62.4	68	Australia	19.86
12	Tunisia	61.05	69	Norway	18.32
13	Brazil	58.71	70	Kyrgyz Republic	12.27
14	Vietnam	58.35	71	Armenia	9.78
15	Bangladesh	58.21	72	Iceland	9.48
				Average Index	23.1

mogeneity of this group is very low. For example, the value of natural resource potential in economic growth of geographically large Peru and Saudi Arabia differs in 4 times!).

Tested impact of natural resources on economic growth of the countries - traditional exporters of natural resources (hydrocarbons and metals), we can also see a low correlation between degree of this impact and countries' resource potential. The results of correlation are shown in Table 4.

Finally, only testing of the correlation between stimulating impact of natural resource potential and level of countries' economic development (GDP per capita) confirms that the role of natural resources in economic growth of developed countries is significantly lower than in developing ones (Table 5).

Data in Table 5 shows that countries with the lowest GDP per capita remain extremely high role of natural resources in ensuring their economical growth. On the one hand, this can be explained by simply lack of other sources for economic progress (for example, financial resources or skilled labor) in the poorest countries. On the other hand, this fact proves an urgent need to find new, more efficient sources for economic growth in the poorest countries, deprived of own natural resources (eg, Jordan and Kyrgyzstan), that will be able to guarantee long-term and responsible strategy for national economic progress.

At the same time factor of natural resources impact has not a leading role in rich countries, even with high natural resource potential (eg, Norway, the U.S., and Australia). Therefore, we can conclude that economic progress of rich countries is providing by their natural resource potential for only 20%. At same time dynamic development of the world poorest countries bases on their natural wealth for more than half.

Separately we can consider BRICS countries (Table 6).

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Table 3. Comparison of natural resources' stimulating impact in biggest and smallest countries of the world, 2012

Index of Stimulating Impact of Natural Resources	TOP-15 Countries with Smallest Territories[2]		TOP-15 Countries with Biggest Territories	Index of Stimulating Impact of Natural Resources
67.14	Panama	1	Peru	77.28
30.46	Ghana	2	Colombia	76.5
33.52	Singapore	3	India	75.83
33.24	Denmark	4	Indonesia	62.4
72.51	Sri Lanka	5	Brazil	58.71
31.75	Netherlands	6	Mexico	57.62
24.66	Slovak Republic	7	China	53.36
63.86	Montenegro	8	Bolivia	52.72
24.61	Belgium	9	South Africa	43.15
73.09	El Salvador	10	Russian Federation	31.2
61.05	Tunisia	11	United States	24.29
25.31	Estonia	12	Kazakhstan	22.53
36.56	Cyprus	13	Canada	21.13
35.63	Costa Rica	14	Saudi Arabia	20.92
30.94	Georgia	15	Australia	19.86
42.95	**Average**			46.5

Table 4. Index of stimulating impact of natural-resource factor in the countries - traditional exporters of natural resources

Nº	Country[3]	Index of Stimulating Impact of Natural Resources	Nº	Country	Index of Stimulating Impact of Natural Resources
1	Norway	18.32	8	Russia	31.2
2	Saudi Arabia	20.92	9	South Africa	43.15
3	Canada	21.13	10	Malaysia	55.29
4	Kazakhstan	22.53	11	Chile	55.49
5	Venezuela. RB	23.71	12	Mexico	57.62
6	United States	24.29	13	Brazil	58.71
7	UAE	25.9	14	Indonesia	62.4
				Average index	37.7

As can be seen from the Table 6, stimulating role of natural resources in economic development of Russia is minimal (even role of natural resources in Russian budget formation is huge), while in India it is more than in two times higher.

The values of financial resources impact on countries' economic growth are shown in Table 7.

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Table 5. Comparison of natural-resource factor's impact on economic growth of 15 richest and 15 poorest countries[4], 2012

Index of Stimulating Impact of Natural Resources	TOP – 15 Countries With Highest GDP per Capita[5]		TOP – 15 Countries With Lowest GDP per Capita	Index of Stimulating Impact of Natural Resources
9.48	Iceland	1	Kyrgyz Republic	12.27
9.48	Norway	2	Paraguay	25.47
9.78	Australia	3	Ghana	30.46
12.27	Canada	4	Zambia	35.04
18.32	Finland	5	Jordan	52.14
19.86	United States	6	Pakistan	52.69
20.92	Belgium	7	Bolivia	52.72
21.13	Sweden	8	Egypt, Arab Rep.	53.8
21.34	France	9	Bangladesh	58.21
22.53	Netherlands	10	Vietnam	58.35
22.8	Austria	11	Indonesia	62.4
23.71	Denmark	12	Sri Lanka	72.51
24.29	Singapore	13	India	75.83
24.61	Japan	14	Peru	77.28
24.66	Germany	15	Philippines	82.83
19.012	Average			53.4

Table 6. Index of stimulating impact of natural resources potential in BRICS countries, 2012

Nº	Country		Nº	Country	Index of Stimulating Impact of Natural Resources Potential
1	Russian Federation	31.2	4	Brazil	58.71
2	South Africa	43.15	5	India	75.83
3	China	53.36		Average in group	52.45

The data in Table 7 proves that:

- Highest role of financial factor in economic growth of developing countries, both with huge natural-resource potential (such Ukraine, Venezuela, Kazakhstan) or without it (such Uruguay, Armenia, Kyrgyzstan);
- High inverse correlation between the value of stimulation impact of financial potential and capital's saturation of the countries. It is noticeable that countries with high financial saturation have extremely low capital's impact on their economic growth.

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Table 7. Impact of financial factor on the stimulation of economic growth of the modern countries (leaders and outsiders), 2012

Nº	Leading Countries	Index of Stimulating Impact of Financial Factor[6]	Nº	Outsiders	Index of Stimulating Impact of Financial Factor
1	Uruguay	92.47	58	Belgium	4.44
2	Armenia	87.58	59	Japan	4.37
3	Kyrgyz Republic	86.19	60	Malaysia	4.21
4	Paraguay	69.07	61	Spain	4.08
5	Ghana	64.1	62	France	4
6	Georgia	61.96	63	Chile	4
7	Latvia	59.26	64	Netherlands	3.46
8	Macedonia, FYR	59.08	65	Norway	3.24
9	Ukraine	57.84	66	Denmark	3.14
10	Zambia	57.58	67	Australia	2.76
11	Costa Rica	52	68	Canada	2.73
12	Venezuela, RB	51.19	69	Sweden	2.45
13	Slovak Republic	50.86	70	United States	2.32
14	Kazakhstan	45.91	71	United Kingdom	2.23
15	Ecuador	45.84	72	Singapore	1.77
				Average	19

On the one hand, this obviously proves an effect of declining economic value of capital. On the other hand, significant differences of economic efficiency of capital stimulate its trans-boundary movement (stimulated mainly by rich states);

Despite of extremely high demand for capital from developing countries, within all analyzed countries an average stimulating impact of financial factor is much lower than stimulating impact of natural-resources. This can be explained by high capital mobility and by its high concentration in three global centers of capitalism.

Finally, Table 8 shows the performance of stimulating effect of labor factor.

Data in Table 8 shows a highest stimulate role of labor factor mainly in Western developed countries with high labor productivity, high technological structure of national economies, contributing a further growth of labor efficiency.

At the same time, economically under developed countries, including agrarian states of Africa, Asia and Latin America, are motly growing not due to their labor force potential.

Correlation between labor factor's stimulating role and national labor force potential (a number of employees in the national economic system[7]) confirm an independence of stimulate role of the labor factor on the countries' saturation by workforce.

So, China (country with largest labor potential) and Montenegro has almost similar criteria of stimulating economic value of labor. Consequently, an economic efficiency of labor does not reduce in countries with rich labor resources. An effect of declining economic efficiency of the labor factor does not demonstrate.

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Table 8. Impact of the labor factor on economic growth of the modern countries (leaders and outsiders), 2012

Nº	Leading Countries	Index of Stimulating Impact of Labor Potential[8]	Nº	Outsiders	Index of Stimulating Impact of Labor Potential
1	Norway	78.44	58	India	9.77
2	Australia	77.39	59	Ecuador	9.6
3	Canada	76.14	60	Sri Lanka	9.38
4	Finland	73.93	61	Bolivia	9.01
5	United States	73.39	62	Kenya	8.7
6	Sweden	72.71	63	Zambia	7.38
7	Iceland	72.27	64	Pakistan	7.36
8	Saudi Arabia	71.94	65	Georgia	7.1
9	Belgium	70.95	66	Vietnam	5.7
10	France	65.63	67	Paraguay	5.46
11	Netherlands	64.79	68	Ghana	5.44
12	Singapore	64.71	69	Armenia	2.63
13	Denmark	63.62	70	Uruguay	2.46
14	Japan	62.07	71	Bangladesh	2.39
15	Austria	58.4	72	Kyrgyz Republic	1.54
				Average index	22.4

MACROECONOMIC FACTORS OF INTERNATIONAL MIGRATION DYNAMIC AND COUNTRIES' MIGRATION ATTRACTIVENESS

Modern scientific approaches to labor migration are often based on studies of Lewis, E. on economic development in the conditions of unlimited labor supply, for examples, studies of Gavrilova (2009), Ivakhnyuk (2005) and Maevsky (2003). According to these approaches economic system of the modern states consists of two sectors - capitalist and non- capitalist. The first one is based on manufacturing; is concentrated on profitable activity and capital increasing, and acts as a labor force employer. The second sector is initially saturated by manpower, but is not a highly profitable form of commercial activity.

Growth of capitalist sector of national economic system, logically leads to the pumping of labor force from non- capitalist spheres. A specificity of geographical concentration of capitalist and non- capitalist sectors determines directions and intensity of domestic or international migrants' flows.

Later, neoclassicists – Adelman & Taylor (1991), Fields (1975), Fix & Passel (1994), Jorgenson (1967), Perloff, Lynch & Gabbard (1998) - have continued to analyze the international (and domestic) labor migration, based on the ideals of the market and market equilibrium. Another approach founded by Todaro considered problems of market functioning (failures and imperfections of market mechanisms, such as unemployment), which are (according to the author approach (Todaro & Maruszko, 1987) the main causes of international and internal migration flows formation and development.

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Table 9. Factors affecting on directions and dynamic of international labor migration

Dynamic of International Labor Migration 100%		
Economical factors of group A (can be objectively estimated) *– share in a total index - 60%*	Socio-economical factors of group B (can be estimated) *– share in a total index - 40%*	Social factors of group C (can't be estimated) *– not considered*
- average salary in the country of origin - average salary in the country of destination - living cost in the country of destination - migration cost	- growth of population - economic growth - rate of unemployment - national debt - foreign investments - refinance rates - equality of material values distribution	-impact of relatives, -migration traditions, -diasporas, -special bilateral programs and agreements

Problems of migrants' selectivity, well represented in scientific literature, became a basis for formation of approaches to labor migration, based on the theory of human capital and formed in early studies of Mincer (1974) and Becker (1975).

Development of human capital theory become a new vector in international labor migration theorizing from macroeconomic determinants of current socio- economic process to the set of its micro-factors related with human nature.

Basing on results of scientific researches factors stimulating an international labor migration can be classified into two types – economical, that can be objectively evaluated and analyzed (eg, differences in wages in the place of migrants origin and destination, cost of migration and so on); socio-economical, that are weakly objectively measurable (eg, country's attractiveness for labor migration in terms of socio-economic criteria - dynamics of economic growth, unemployment, domestic and external debt of the country, number of migrants in the national economic system, equality of social benefits distribution and so on), and social, not amenable for objective evaluation (families' impact, migratory traditions, existence of migrants' diasporas, special programs, bilateral agreements between countries of origin and destination, and so on) (Table 9).

Further study of international migration trends will be conducted only on the basis of modern states' macroeconomic indicators (excluding any social and political relations between the pair of states). Furthermore, the study considers only the problems of mass international migration, because an evaluation of highly qualified personnel international migration within the neoclassical model is not possible.

As the main objective factors of international labor migration (group A) in the study were highlighted:

1. Average wages in the country of destination (as a main factor attracting foreign migrants). It should be noted that this study is based on equality of migrants' and locals' labor;
2. Average cost of living in the destination country (study is based on the assumption that foreign migrant workers are fully socialized in the host country; and have living costs similar with locals).

A difference between wage and living cost in the country of employment determines an amount that migrants can save (or send home). Essentially, this amount is an economic reason of migration. If the difference between wage and living cost in the country of employment is less or similar with average salary in the country of migrant's origin, international labor migration loses any economic meaning.

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For example, an average salary in Japan by World Bank statistics is less than in the U.S.A. (2522 USD per month compared to 3236 USD per month[9]).

However, the minimum living cost, for example, in California is 1258 USD per month, and, consequently, a Japanese worker can save/send home less than can earn at home. Obviously, there are no any economic reasons of mass labor migration from Japan to the U.S.

Comparing with previous studies of international migration by Clark, Freeman & Soete (1981), Kolosnitsyna (2005), Ravenstein (1985), Redford (1968) and Skeldon (2008) this study considers level of purchasing power in different countries and significant differences of local prices.

Correction of value of wages, remitted by migrant to relatives was made considering differences in the level of nominal national GDP and national GDP by purchasing power parity (PPP) of every state.

For example, basing on the nominal GDP and GDP (PPP) of Turkey (0.8 trillion USD and 1.36 trillion USD in 2013) 1,000 USD remitted by Turk from Berlin to his family, will be equivalent to 1720 USD in Istanbul (taking into account the differences between German and Turkish prices).

A similar multiplier for India (in 2013 India's nominal GDP is 1.8 trillion USD and GDP (PPP) is 5 trillion USD) is equivalent to 3.1. It means that 1000 USD earned by Hindu, for example, in the United States is equivalent to 3100 USD in India.

Similarly (depending on the place of expected salary's spending) the consumer attitudes to the same amount of money change in various countries around the world and that directly affect on structure and dynamics of international labor migration.

Statistical studies of international migration, widely known in the scientific community - Adams (2009), De Hass (2009), Rosenzweig, Mark & Stark (1989) and Rumyantceva (2004) - consider wages in the countries participating in migration exchanges in their absolute terms. This in our opinion does not fully reflect a real situation in international flows of workers.

3. Average cost of migration is also important factor of international labor movement.

On the one hand, value of the average cost of migration can be objectively evaluated on individual basis (each personal worker knows how much he or his family spent on the necessary procedures, documentation, ticketing and so on).

Table 10. Estimating of probability of migration flows to Belgium[10]

№	**Countries of Origin**	**Belgium – Average Wages – 3035 $ Living Cost – 1610 $ Multiplier PPP – 0,98**			
		Average Salary[11], $	**Multiplier PPP[12]**	**Migration cost[13]**	**Total Index[14]**
1	Philippines	227	1.7	420	4.4
2	Thailand	471	1.65	290	4.29
3	Turkey	1731	1.72	400	9.5
4	Ukraine	659	1.92	113	35.6
5	India	255	3.1	313	21.4

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On the other hand, a consideration of the value of this factor in relation to the whole country (mass migration) is significantly hampered, firstly, by purely individuality of migration decision-making process; secondly, by personalization of job search process in the destination country; and thirdly, by absence of required information.

In this connection and in context of the present study the migration costs were estimated based on complexity of visa requirements for citizens of the country of origin in the destination - country and on minimum price of air ticket to the country of destination[15].

The proposed technique can be used to estimate a probability of migration from one country to another (based on their macroeconomic indicators) as well as to predict migration flows in one specific country.

For example, as we can see from Table 10 a probability of migrant flow from Ukraine to Belgium is much higher than flows from Asia Pacific region or Turkey (even the average salary in Ukraine is bigger than Thai or Indian).

Table 11. Estimating of probability of migration flows to California (USA)

Nº	**Countries of Origin**	**California (USA) – Average Wage – 3263 $ Living Cost – 1258 $ Multiplier PPP – 1**			
		Average Salary, $	**Multiplier PPP**	**Migration Cost**	**Total Index**
1	Japan	2522	0.94	615	0.18
2	Thailand	471	1.65	630	9.4
3	Brazil	758	1.15	980	2.3
4	Mexico	603	1.4	210	13.7
5	Russia	1135	1.2	820	2.9
6	Philippines	227	1.7	670	5.0

Table 12. Estimating of probability of migration flows to Russia

Nº	**Countries of Origin**	**Russia – Average Wage – 1135 $ Living Cost – 435 $ Multiplier PPP – 1,2**			
		Average Salary, $	**Multiplier PPP**	**Migration Cost**	**Total Index**
1	Kazakhstan	750	1.17	164	3.04
2	Ukraine	659	1.93	75	10.93
3	Kyrgyzstan	279	2.22	130	7.28
4	Belarus	954	2.32	100	9.88
5	Azerbaijan	548	1.35	172	3.36
6	Moldova	364	2.06	166	5.27
7	China	609	1.61	465	1.48
8	India	255	2.95	390	3.21

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Similar findings can be made for California (USA) in Table 11. They show meaningless of labor migration from Japan to the USA.

As we can see from Table 12 migration flows from Ukraine, Belarus, Kyrgyzstan and Moldova will be mostly probable for Russia.

Offered methodology can be modernized by evaluation of Group B factors that are reflecting a country's migration attractiveness.

Socio-economic factors of group B are poorly amenable for objective evaluation. Meanwhile, an aggregation of well-known macroeconomic indicators and further inter-comparison of the resulting indexes, for example, with the Russia' ones (that are equal to 1, 00 in our research) can allow us to make a ranking of the countries - potential destinations of international labor migration.

It has to be noted that unlike previous evaluation (Tab. 10, 11 and 12) characterizing a migration's interactions inside a pair of certain countries here we analyze (based on macroeconomic indicators) the countries' attractiveness for abstract migrants, not for particular nationality or original.

In assessing countries' attractiveness for migration macroeconomic indicators and World Bank statistics were used (Table 13). The maximum value of every criterion is equal to 100% and a minimum value is equal to 1%. According to this scale results of modern states' macroeconomic indicators evaluation were distributed (as shown in Table 14).

As seen from the Table 14 and 15, most popular among migrant workers states have not high rates of migration attractiveness (only Russia – one of the global leader by number of coming migrants – is in the top-10 of migration attractive countries).

This criterion characterizes dynamics of economic development of the state, likelihood of the country's demand for foreign labor force (for example, due to the disproportional growth of national productivity and natural growth of local population).

Table 13. Macroeconomic indexes forming a country's migration attractiveness

№	Index	Methods of Calculation	Impact on Migration Attractiveness of the Country
1	Population growth	Dynamic of population growth (2002-2012).	Identifies quantity of national labor resource and dynamics of its change
2	Economy growth	Dynamic of economy growth (2002-2012).	Determines the prospects of national economy development and likelihood of lack of national labor resource and requirements for labor force's import
3	Unemployment	Average unemployment rate in the country, dynamic of unemployment rate (2002 – 2012).	Determines the national economic system demands for foreign workers
4	Migrants in-flow	Dynamics of foreign workers arrivals (2002-2012).	Determines a popularity and attractiveness of the country for foreign workers
5	Foreign investments	Dynamics of foreign investments flows (2002-2012).	Determines a country's attractiveness for business; a possibility of new businesses opening and new industries formation in the national economic system.
6	Refinance rate	Dynamic of refinance rate changing (2002-2012).	Characterizes an availability of credit in the national economic system, a probability of new enterprises opening and new industries formation in the country (and, consequently, demands for foreign workers)
7	Equity of National wealth distribution	The ration between national wage fund and national GDP (2002-2012).	Determines the level of equity of compensation for workers, impacts on attractiveness of the country for foreign migrants also

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An implementation of the modern countries' migration attractiveness is advisable for more correct prediction of international migration flows formation in today's globalizing economy (Tables 16, 17 and 18).

Thus, considering factor of migration attractiveness of modern states we can correct a probability of international migration flows formation in the states studied above - Belgium, the USA and Russia.

As seen from the Table 16, after consideration of countries' migration attractiveness the probabilities of labor migration from Thailand and India to Belgium significantly decreased. At the same time indicators of possible migration of Filipinos and Turkish to Belgium rose.

An inclusion of modern states migration attractiveness in the case of California doesn't slightly change the overall statistics of the migration flows probability (only the likelihood of migration from Brazil increases).

Finally, in the case of Russia, consideration of countries' migration attractiveness within the analyzing of possibilities of migration flows formation, determines a sharp increasing of probability of the labor migration from Moldova and Kyrgyzstan, while the probability of migration from Kazakhstan, Ukraine, Azerbaijan and China slightly adjusts.

Table 14. Macroeconomic indexes, characterizing migration attractiveness of the countries, 2013-1

Nº	Country	Population Growth	Nº	Country	Econ. Growth	Nº	Country	Unemploy-ment
1	UAE	100	1	China	100	1	Macedonia	100
2	Zambia	97.41	2	Ghana	94	2	SAR	74.08
3	Latvia	95	3	Panama	89	3	Armenia	73.38
4	Ghana	94	4	India	83.7	4	Montenegro	58.23
5	Kenia	90.91	5	Peru	78.7	5	Spain	54.9
6	Pakistan	87	6	Zambia	78.7	6	Kenia	50.26
7	Jordan	77.93	7	S.Arabia	78.4	7	Georgia	50.11
8	Philippines	74	8	Sri-Lanka	77.56	8	Latvia	45.31
9	Paraguai	66.88	9	Uruguay	75.98	9	Tunisia	39.98
10	Malaysia	66.2	10	Bangladesh	75.8	10	Jordan	39.43
24	India	54.54	21	Brazil	58.9	22	Brazil	27.37
28	SAR	51.94	30	SAR	47.63	26	USA	25.98
37	Brazil	44.15	33	Thailand	46.57	30	Ukraine	24.12
39	USA	42.2	**53**	**Russia**	**33**	31	Finland	23.66
47	China	33.76	57	UK	28.44	**37**	**Russia**	**22.27**
55	Thailand	25.96	58	Japan	28.08	39	Germany	21.8
57	**Russia**	**24.66**	66	Iceland	20.69	63	China	11.44
61	Japan	22.07	67	Estonia	20.51	67	India	10.28
68	Armenia	14.92	68	Bolgaria	15	68	Norway	9.82
69	Ukraine	9.8	69	Latvia	1	69	Thailand	3.4

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Table 15. Macroeconomic indexes[16], characterizing migration attractiveness of the countries, 2013 - 2

Nº	Country	Refinance Rate	Nº	Country	Equality of Material Values Distribution	Nº	Country	Total Migration Attractive-ness
1	Brazil	100	1	Moroc	100	1	China	2157.03
2	Kyrgyzstan	86	2	Kyrgyzstan	74.7	2	Thailand	1920.92
3	Paraguai	53.8	3	Bangladesh	69.7	3	Korea	1310.84
4	Peru	47.1	4	Macedonia	67.68	4	Norway	1258.75
5	Zambia	44.73	5	Bolivia	67.18	5	UK	1174.96
6	Armenia	44.18	6	Ukraine	57.38	6	Netherlands	820.81
7	Venezuela	43.46	7	Georgia	54.81	7	Russia	747.62
8	Costa-Rica	43.1	8	India	50.2	8	Ukraine	665.18
9	Ukraine	43.03	9	SAR	48.63	9	Japan	622.14
10	Kenia	38.68	10	Korea	45.45	10	India	608.19
12	Russia	35	30	Russia	29.15	31	Mexico	274.8
42	India	25.01	44	Kazakhstan	22.76	35	SAR	254.55
44	SAR	23.78	46	Brazil	22.4	36	Kenia	251.2
55	China	14.34	47	USA	21.8	37	Indonesia	249.59
59	Singapore	13.07	48	France	21.83	41	Belgium	208.8
60	Malaysia	11.98	59	Indonesia	18.76	42	Germany	208.65
61	Italia	11.25	60	Mexico	18.3	43	Austria	186.16
62	USA	7.99	65	S.Arabia	11.67	46	USA	171.77
68	Japan	3.57	66	Venezuela	10.35	68	Venezuela	17.02
69	UK	1.27	69	UAE	9.83	69	Latvia	1.013

Table 16. Estimating of probability of migration flows to Belgium considering the factor of countries' migration attractiveness

Nº	Countries of Origin	Belgium		
		Probability of Foreign Migration (Before Considering Countries' Migration Attractiveness)[17]	Relate Migration Attractiveness (Ratio Between Migrate Attractiveness of Belgium and Migration Attractiveness of the Country of Migrants Origin)	Index of Probability of Foreign Migration Flows Taking into Account a Migration Attractiveness of the Countries
1	Philippines	4.4	3.58	15.75
2	Thailand	4.29	0.1	0.43
3	Turkey	9.5	1.84	17.48
4	Ukraine	35.6	0.39	13.88
5	India	21.4	0.41	8.77

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Table 17. Estimating of probability of migration flows to California (USA) considering the factor of countries' migration attractiveness

Nº	Countries of Origin	California (USA)		
		Probability of Foreign Migration (Before Considering Countries' Migration Attractiveness)[18]	Relate Migration Attractiveness (Ratio Between Migrate Attractiveness of Belgium and Migration Attractiveness of the Country of Migrants Origin)	Index of Probability of Foreign Migration Flows Taking Into Account a Migration Attractiveness of the Countries
1	Japan	0.18	0.28	0.05
2	Thailand	9.4	0.9	8.4
3	Brazil	2.3	3.7	8.51
4	Mexico	13.7	0.92	12.1
5	Russia	2.9	0.23	0.66

Table 18. Estimating of probability of migration flows to Russia considering the factor of countries' migration attractiveness

Nº	Countries of Origin	Russia		
		Probability of Foreign Migration (Before Considering Countries' Migration Attractiveness)[19]	Relate Migration Attractiveness (Ratio between Migrate Attractiveness of Belgium and Migration Attractiveness of the Country of Migrants Origin)	Index of Probability of Foreign Migration Flows Taking Into Account a Migration Attractiveness of the Countries
1	Kazakhstan	3.04	1.33	4.04
2	Ukraine	10.93	1.12	12.27
3	Kyrgyzstan	7.28	2.43	17.71
4	Belarus	9.88	0.91	9
5	Azerbaijan	3.36	0.96	3.22
6	Moldova	5.27	4.52	23.8
7	China	1.48	0.7	1.1
8	India	3.21	1.22	3.94

SOLUTIONS AND RECOMMENDATIONS

Thus, analyzed three main factors for economic growth of the countries (natural-resource, capital and labor resources), we can conclude that modern states are greatly differ by degree of importance of each factor in their economic progress. It is interesting to note that a catalytic role of capital significantly reduces together with growth of capital-saturation of the states. At the same time, labor and natural resources potentials retain their high stimulating role even with increasing of countries' saturation by them.

An analysis of macroeconomic indicators of the modern states also allows making several conclusions:

- Extremely high positive correlation (0.88) between stimulating role of labor factor with GDP per capita in the modern states. At the same time there are almost identical negative correlations

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between the stimulating role of natural resources and financial factors with GDP per capita in the modern states (-0.47 and -0.49 respectively).

This statistical finding directly confirms an important economic transformation – an economic growth of the country has increasingly provided not by natural and financial resources (including borrowed ones) but by productivity and quality of the labor force (both own and borrowed from abroad).

Allowing a possibility of feedback (a reducing of the role of high-skilled labor in economic growth determines simplification of national economy and its further impoverishment) we can make an extremely important finding for countries that actively attract low-skilled labor (including Russia, UAE, and Thailand).

Qualitative economic progress of the country due to involvement of unskilled workers is impossible in the long term! With a growth of number of arriving migrants national economic progress continues to be provided only by financial and natural resources of the countries. In conditions of rapidly decreasing of stimulating effectiveness of capital, as well as limited natural resources potential of the country, this strategy has a dead end, is enable to change country's positioning in the structure of international division of labor, can't guaranty discovery and development of new resources for economic growth.

- Taking in account a specific of macroeconomic indicators of the countries of global avant-garde, a negative correlation between stimulating role of the labor factor and dynamics of economic growth of modern states (-0.42) seems logic. Meanwhile a correlation between economic role of natural potential and financial resources and dynamics of economic growth in the world is a positive (0.31 and 0.19 respectively). It can be concluded that states are growing fastest due to their natural resource potential (high economic dynamics is traditionally peculiar for developing countries). While an importance of the labor factor is more typical for countries with low dynamics of economic progress (usually developed ones).
- Finally, analyzed a correlation between indicators of stimulating roles of three factors for economic development and indexes of international migration in the modern countries, we can determine that the maximum positive correlation is between a stimulating role of the labor factor and dynamics of international migration (0.51). At the same time relationships between economic role of natural-resources and financial factor and dynamics of international migration is negative and relatively low (-0.33 and -0.18 respectively).

These results suggest that countries developing mostly due to natural or financial resources now practically do not attract foreign workers, or even supply workers on the global labor market. At the same time, countries with high labor productivity, with a great stimulating effect of labor on their own economic growth are the main global migrants' receptors.

This result leads to the definition of main problems of the contemporary world labor market functioning.

Global migrant workers' receptors traditionally have limited capacity for own economic growth (often dynamics of their economic growth is timely less than dynamics of migration flows' increasing). In these conditions, the national systems of these countries are required to increase labor productivity as the most important factor and stimulator of economic growth (as was proved a stimulating effect of natural-resource and financial potentials in economic growth in these countries is insignificant).

In this connection, economic success of these countries will depend on the performance of two important conditions:

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- The effectiveness of measures to ensure an influx of highly skilled professionals that are capable to positively impact on growth of labor productivity in the country later (for example, carriers of education, skills, abilities, technologies, and so on);
- The effectiveness of tools to ensure a greater concentration of local population on increasing of their own educational and professional level (with the further application of these skills in productive activities) by providing unskilled jobs to foreign migrants.

A presence of two directions of National migration policy of modern developed countries permits a presence of international migration both of high-skilled and unskilled workers. And it requires defining of differentiated effective migration policies within offered model from every state.

The proposed method to determine probability of international labor migration basing on comparative analysis of modern states' macroeconomic indicators allows to:

- Forecast the migration flows from different countries and territories worldwide;
- Compare the national economical systems by a probability of their converting into the countries of origin or destination of migrants in conditions of world economic progress;
- Create national migration policy (both in the countries receiving and sending migrants); strengthen its flexibility and differentiation; adapt the national migration policy to requirements of current migration relations, monitor its the dynamics and so on.

Finally, the proposed model of estimation a probability of international migration flows formation as a complex system, aggregating objective indicators of modern states economic and social development, costs of migration decision - making, is interesting from a scientific point of view as an attempt to study a phenomenon of international labor migration, to define causes and effects of migration dynamics changes in the global and national economic conditions.

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KEY TERMS AND DEFINITIONS

Diminishing Returns: Is the decrease in the marginal (incremental) output of a production process as the amount of a single factor of production is incrementally increased, while the amounts of all other factors of production stay constant. The law of diminishing returns states that in all productive processes, adding more of one factor of production, while holding all others constant, will at some point yield lower incremental per-unit returns. The law of diminishing returns does not imply that adding more of a factor will decrease the total production, a condition known as negative returns, though in fact this is common (Saiduzzaman, S. (2014). The theory of diminishing return. Academia.edu. Retrieved 12 August 2014).

Economic Effects of Migration: The economic effects of migration vary widely. Sending countries may experience both gains and losses in the short term but may stand to gain over the longer term. For receiving countries temporary worker programs help to address skills shortages but may decrease domestic wages and add to public welfare burden. The economic effects of migration for both sending and receiving countries may also vary depending on who is moving, specifically with respect to migrant workers' skill levels. A Swedish Professor notes, "the problem is not immigration; it is integration, especially in the labour market. If there are no jobs, the consequences are segregation, housing problems and divided cities" (Traynor, 2010). For sending countries, the short-term economic benefit of emigration is found in remittances. Remittances are funds that emigrants earn abroad and send back to their home countries, mainly in order to support families left behind.

Economic Growth: 1. Firstly, and most commonly, growth is defined as an increase in the output that an economy produces over a period of time, the minimum being two consecutive quarters. 2.The second meaning of economic growth is an increase in what an economy can produce if it is using all its scarce resources. An increase in an economy's productive potential can be shown by an outward shift in the economy's production possibility frontier (PPF). The simplest way to show economic growth is to bundle all goods into two basic categories, consumer and capital goods. An outward shift of a PPF means that an economy has increased its capacity to produce.

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Extensive Growth: Is based on the expansion of the quantity of inputs in order to increase the quantity of outputs, opposite to that of intensive growth. For example, GDP growth caused only by increases in population or territory would be extensive growth. Thus, extensive growth is likely to be subject to diminishing returns. It is therefore often viewed as having no effect on per-capita magnitudes in the long-run (Bjork, Gordon J. (1999). The Way It Worked and Why It Won't: Structural Change and the Slowdown of U.S. Economic Growth. Westport, CT; London: Praeger. pp. 2, 67).

Factors Affecting Economic Growth: Industries experience cycles of economic growth and contraction based on many factors. These include the overall health of the markets, consumer preferences and even seemingly unrelated world news and events. Although some companies perform better than others in their industry, the global factors that affect the industry as a whole must be contemplated when planning to start or grow a business (Galor, Oded (2005). "From Stagnation to Growth: Unified Growth Theory". Handbook of Economic Growth 1. Elsevier. pp. 171–293).

Governance of Migration: System of institutions, legal frameworks, mechanisms and practices aimed at regulating migration and protecting migrants. Used almost synonymously with the term "migration management", although migration management is also sometimes used to refer to the narrow act of regulating cross-border movement at the state level.

Pull Factors for International Migration: Whereas push factors drive migrants out of their countries of origin, pull factors are responsible for dictating where these travelers end up. The positive aspects of some countries serve to attract more immigrants than others. Below are three examples of pull factors that draw migrants to receiving countries: higher standards of living/higher wages, labor demand, political and religious freedom.

Push Factors for International Migration: Sometimes these factors leave people with no choice but to leave their country of origin. Below are three examples of push factors that drive people to emigrate from their home countries: lack of jobs/poverty, civil strife/war/political and religious persecution, environmental problems.

ENDNOTES

1 Maximal Index (100%) means that country is developing only due to own natural resource potential
2 Placed in order of diminishing of index of natural resources potential stimulating impact
3 Placed in order of diminishing of index of natural resources potential stimulating impact
4 By number of GDP per capita, among 72 considered countries
5 Placed in order of diminishing of index of natural resources potential stimulating impact
6 Maximal Index - 100% - means that country is developing only due to own financial potential
7 Correlation between indexes of labor potential's stimulating impact and number of employed population is -0,08
8 Maximal Index - 100% - means that country is developing only due to own labor potential
9 Data of World Bank // www.worldbank.org
10 Calculated by author, data of World Bank was used, 2013
11 www.worldbank.org, 2013
12 Calculated as ration between nominal national GDP and national GDP (PPP), 2013
13 Calculated taking in account prices for round-trip flights (economy class) to the country of destination and complexity of visa formalities of destination country, 2013

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[14] Higher index characterizes higher probability of foreign in-flow migration
[15] Data from www.aviasales.ru was used
[16] 10 leading countries and 10 outsiders are only in the table
[17] Taken from Tab. 10
[18] Taken from Tab. 11
[19] Taken from Tab. 12

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Chapter 82
Finding Inner Strength in the Face of Adversity Kgopolano GROW Group Empowerment Journey: Botswana

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ABSTRACT

This article describes how numerous studies in Botswana have found high levels of poverty among women, in particular, those in female-headed households. Extreme poverty among women continues despite government programme interventions designed to end poverty. This article reports the findings of an initially donor-funded women's empowerment project in an urban village, Molepolole, Botswana. At the center of this project are 14 women who are experimenting with the GROW model to transform their lives. Through in-depth interviews and focus group discussions the women's views on the past, present, and future of the project were solicited. Content and thematic analysis were utilized on the data. The results confirm the potential of the GROW model in transforming the lives of women facing insurmountable hardships. The Grow model inspired women to gather inner strength and break the cycle of poverty by continuing the project beyond donor funding.

INTRODUCTION

Globally, women's empowerment is anchored on various national and international instruments. At the international level, such instruments include: The United Nations Decade for Women (1975-1985); United Nations Convention on the Elimination of All Forms of Discrimination against Women (1979); the Beijing Declaration and Platform of Action (1995); Millennium Development Goals (2000-2015); In Botswana, a legal and policy environment exists to promote and advance women's empowerment.

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This includes, inter alia, the National Policy on Women and Development (1998); the National Gender Programme Framework (1998); the Advocacy and Social Mobilization Strategy for the National Gender Programme (1999). In recent times, the National Policy on Gender and Development (2015) and Vision 2036 are the most important policy instruments highlighting critical issues that affect women and require urgent attention. Examples include; women and poverty, education and training*;* women and health; decision-making and violence against women (Vision 2036; National Policy on Gender and Development, 2015). In addition, the Government of Botswana has, over the years, initiated legislative reforms such as the Abolition of Marital Power (2004); the Domestic Violence Act of 2008 and associated guidelines, amended Citizenship Act of 1995 and Deeds Registry Act of 1996. These initiatives sought to advance and achieve gender equality in Botswana (Quansah, 2005). Women's empowerment initiatives have placed women at the centre of development, affording them the right to make decisions and determine their own destiny. Further, these initiatives are meant to empower women and protect them from any form of oppression and discrimination.

The above notwithstanding, significant challenges remain, revolving around the official definition and application of the concept of "empowerment". Evidence on the ground with respect to the application of the concept of empowerment in the implementation of the various government projects suggests a flawed definition of empowerment. It would appear from the perspective of the government of Botswana, to empower essentially means providing hand-outs in the form of grants or food hampers. Government programmes meant to empower women have deliberately and continuously ignored the critical aspects of the verb "to empower". As a result, the government approach has attracted sustained criticism, in that it is contrary to the true definition and application of term empowerment, which means to "enable" people to be self-empowered and to depend on their own efforts rather than depending on government for sustenance.

The women studied are poor rural women from Borakalalo Ward, Molepolole – Botswana. The Kgopolano GROW Group came into existence in 2011 with support from one of the local NGO's Hope Worldwide Botswana (HwwB), and an international development organization – Project Concern International (PCI). The women deserve attention because they represent the poor who have tirelessly worked together to reach goals of transforming their lives from poverty to improved socio-economic wellbeing. Most of them are single mothers or widows with few or no formal work experience, no background in running an empowerment self-help group and limited resources to take care of their children and families. Despite their background, they took the opportunity presented to them and mobilized themselves into a self-help group known as *Kgopolano* GROW group. The group's overarching goal is self\empowerment using the GROW model. Since its inception in 2011, the Kgopolano GROW group has provided a common touch, physical energy, local knowledge, and skills in attempting to achieve its objectives of transforming the lives of women. Their hope and confidence in the ability to change their lives for the better continues to be the source of inspiration for group members.

This article shares the empowerment journey of the women through active participation in the Kgopolano GROW group implementing the GROW model. The article tells the story of how the women have worked against all odds to create their own source of wealth and livelihood. It is important to point out that this article is not a critique of the empowerment journey in terms of achievement, rather, it articulates the GROW model's ability to empower and transform lives in marginalized contexts. It reports on progress (or the lack thereof) made by the GROW group since its inception in 2011. In particular, the article focuses on progress made since the end of donor funding and technical support in March 2016.

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It is an enhanced version of a journal article entitled: *Inspiring Poor Women to Empower Themselves: Insights and Lessons from Botswana*, which was published in the *International Journal of Civic Engagement and Social Change,* Volume 3 Issue 2, 2016. The most recent findings are shared in this article.

The article is structured thus: first is the introduction, followed by the background that comprises, the Botswana context, a brief review of the literature on empowerment, and the conceptual frameworks underpinning arguments advanced. Next is the methodology and the findings of the study. Pertinent issues emanating from the literature and women's narratives (findings) are consolidated and presented in the discussion section. Finally, a conclusion is drawn.

Background: The Botswana Context

For many years Botswana's economy was among the world's fastest growing, with real GDP growth averaging 8 percent per annum. As a result of this growth, Botswana has transformed from being one of the poorest countries in the world at the time it attained independence in 1966 to becoming an upper middle-income country with a Gross National Income (GNI) per capita of US$ 7,240 in 2014. Despite sustained levels of economic growth and physical development over the past five decades, abject poverty, unemployment, and inequalities persist and remain high (IMF, 2012; Government of Botswana, 2016). An estimated 19.3 percent of the population (approximately 362 112 Batswana out of a total population of slightly over 2 million) are poor. This rate is among the highest in the world and human development outcomes are below the norm for an upper middle-income country. Even with its relatively good social infrastructure and significant investments in social development, Botswana still confronts several challenges, including:

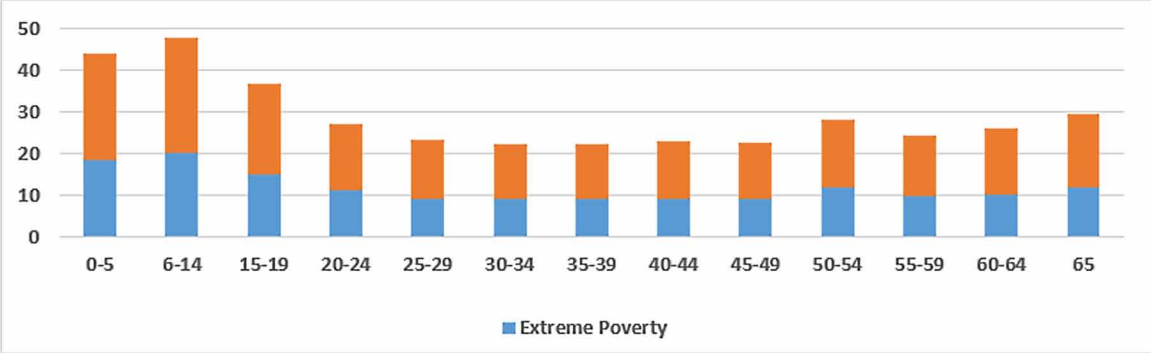
- Eradicating absolute poverty in a budget neutral manner
- Reducing malnutrition in young children
- Ensuring that all children have access to early childhood development programmes and attend school
- Creating jobs for youth and other groups with high unemployment rates
- Increasing access to social insurance and reducing new cases of HIV infection and treating those affected by HIV and AIDS
  (See, World Bank, 2015; Statistics Botswana, 2011; 2013. BCWIS, 2009/10).

Poverty and Inequality

Available evidence shows that poverty and inequality have declined but remain high. For example, in 2009/10 the incidence of poverty (using the national poverty line) was 19.3 percent (this translates to 362, 112 poor people or approximately 84,000 poor families living in extreme poverty in Botswana) while extreme or food poverty stood at 13.8 percent (Statistics Botswana, 2013). Children and the elderly emerged as groups with the highest incidence of poverty (see Figure 1 below). Data shows that poverty in Botswana has a young face, with children below 15 years of age representing almost half (46.2%) of the poor. It was found that poverty is higher in rural and remote areas among female-headed households and those with low levels of education. At the same time, there exists a large number of people who are marginally above the poverty line and therefore at risk of falling back into poverty (World Bank, 2015).

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Figure 1. Extreme and total poverty rates by age group, 2010. Source: World Bank (2015). Botswana Poverty Assessment, Washington, D.C.



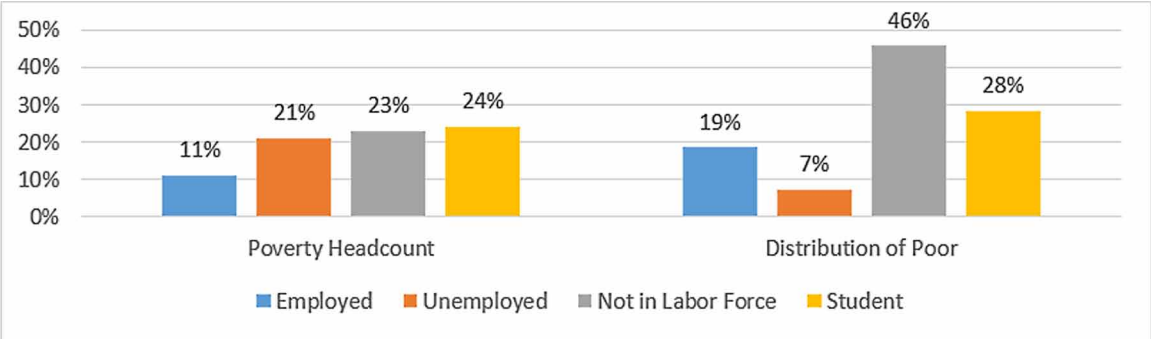
A recent assessment by the IMF concludes that, while there is a sharp decline in the poverty headcount ratio from 30.6 percent in 2002/03 to 19.3 percent in 2009/10, quality of life for the majority of the people has not improved because social welfare and public works programmes have been relatively less effective in terms of targeting the poorest of the poor (IMF, 2012).

Employment and Unemployment

It is important to point out that employment is a buffer but not a guarantee against poverty. The Botswana Core Welfare Indicator Survey (2009/10) estimated the unemployment rate at 17.8 percent, although, if discouraged workers were taken into account, the rate would be closer to 30 percent (BCWIS, 2009/10). The same survey indicated that youth unemployment (15-19 years) was highest at 36 percent followed by a female unemployment rate at 21 percent. More than half of all poor Botswana households (and almost two-thirds of poor households in cities) are headed by unemployed individuals.

Figure 2 shows that, in 2009/10, the poverty rate was 21 percent for unemployed workers and 11 percent for the employed. Nineteen percent of the poor were employed, 7 percent unemployed, and 46 percent outside the labour market. A majority of the unemployed are women, with serious implications

Figure 2. Poverty and employment source: World Bank (2015). Botswana Poverty Assessment, Washington, D.C.



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for their socio-economic wellbeing. Lack of economic opportunities for poor women who are, in most cases, heads of households and lack support from their families' communities, government, and NGOs, have led to a debilitating sense of powerlessness and hopelessness in communities.

PCI and the GROW Development Initiatives

Against the above background, PCI Botswana partnered with the Botswana Government to address poverty and unemployment among poor women in Borakalalo ward, Molepolole. PCI recognizes the fact that poverty among women is relentless and a powerful negative force that affects a significant number of women across the globe. While some developed countries, such as the United States of America, have made substantial strides in gender equality, many developing countries, are still lagging behind. To this end, it is imperative that the battle for empowerment of women should continue, particularly in countries where poverty, oppression and violence against women is a daily occurrence. PCI aim at promoting economic and social empowerment of women through the formation of self-managed and self-sustaining savings groups. In Botswana, PCI success in introducing and implementing the GROW model was made possible with funding support from the President's Plan for AIDS Relief (PEPFAR). Kgopolano became the first group in Botswana to experiment with the GROW model. Through this model PCI-Botswana sought to achieve economic strengthening of the entire community through transforming their own lives and empowering themselves socially and economically by promoting people participation in self-development.

PCI provides training in governance, record keeping, savings, lending, and entrepreneurship to Kgopolano Grow Group. Regularly held group meetings provide a platform for social support and individual leadership development, thus enabling women to become powerful agents of economic and societal transformation within their communities. PCI believes that women who are empowered become solutions to poverty, poor health, and vulnerability for their families and within their communities. Some of the benefits that have been realized include increased food and economic security for women and their families, decreased use of exploitive money lenders, as well as improved relations between female participants and their husbands.

LITERATURE REVIEW IN BRIEF

The situation of women, mainly as an underserved population group, has attracted much attention over the years. Numerous studies have been conducted on the marginalization of women (feminization of poverty) on a wide range of social and economic issues. History books, academic journal articles, and documentaries on their lives have been written, published, and widely distributed by professional researchers, including anthropologists; sociologists; human rights activists, and development practitioners. The researchers generally came to the conclusion that most women in Botswana are poor and marginalized (MDGs, 2000-2015; SDGs 2016 – 2030; National Policy on Gender and Development 2015; Vision 2036; & BALA, (2014). They have, over the years, suffered extreme poverty, marginalization, gender-based violence, and discrimination and are dependent on government welfare programmes.

Against this background, concerted efforts have been made over the years to empower women because of their disadvantaged position in society. To this end, the concept "empowerment" has gained prominence in development discourse that seeks to find solutions to many challenges faced by women

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and other marginalized groups. The notion of empowerment means different things to different people. In the New Webster's Dictionary, the verb "to empower" is defined as "to give power to", or "to enable" someone. According to Rappaport (1987), "…empowerment conveys both a psychological sense of personal control or influence and a concern with actual social influence, political power and legal rights…" McArdle (1989, p. 99) defines empowerment as "the process whereby decisions are made by people who have to bear the consequences of those decisions". The emphasis is on achievement of set goals through self-help and not dependency. Thus, empowered people are those that have, through self-help and through pooling their knowledge, skills and other resources, achieved their goals without recourse to an external dependent relationship.

To this end, Shragge (1993, p. iii) defined empowerment as:

a process that occurs both at a personal and political level. It is a process that involves changing power relations between individuals and groups and social institutions. At the same time, it is a process of personal change as individuals take action on their own behalf and then redefine their understanding of the world in which they live.

At an individual level, empowerment focuses on promoting participatory behaviour, skills acquisition and differing forms of self-efficacy, and self-esteem leading to an increased sense of personal control (Dunst, 1992). Further Dunst (1992, pp. 169-170) sees empowerment as requiring cohesiveness, collective problem-solving skills, and a joint feeling of efficacy and control.

While the notion of empowerment has acquired a considerable aura of "respectability", even "social status" within the vocabulary of development, it has not yet acquired a socially agreed content. It is also one of those concepts whose full implications people do not realize when they use it. Within the development community, empowerment has been used to refer to the following; popular participation; promotion of community development through self-help with emphasis on the process, rather than on the outcome of particular development projects. Empowerment results in transformation of economies into self-reliant and endogenously developed communities.

Most perspectives on empowerment emphasize the need to build capacity in people to participate in and respond to the changing economic and political environment. Thus, empowerment seeks to ensure broader and more meaningful citizen participation in the development process with a view to achieving sustainable development, growth, and prosperity for all. To empower therefore means either to strengthen one's belief in his (her) self-efficacy or to weaken one's belief in personal powerlessness. Therefore, any real empowerment must be "self-empowerment". There must be an internal urge to influence and control (Conger and Kanungo, 1988). People are empowered when they feel an enhancement of their abilities to control, influence or cope with their social or economic roles.

Women's Empowerment in Botswana

The 21st century has seen the greatest push for women's empowerment across the globe. In Botswana, women's empowerment is generally taken seriously as a method of achieving promotion of gender equality. This is demonstrated by current efforts to promote gender equality and empowerment of women in all spheres of social, economic and political development (MDGs Botswana Status Report, 2010). There are no deliberate institutionalized structures to disadvantage, marginalize, and discriminate against women in Botswana.

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However, despite concerted efforts undertaken by the Government of Botswana and other stakeholders to promote women's empowerment and gender equality, gains made over the years are under threat of being reversed due to persistent and debilitating poverty and unemployment among this population group. For example, it is estimated that 47% of female headed households are living in extreme poverty compared to only 27% of male headed households. In addition to high poverty rates, women experience higher unemployment and lower pay for similar work than men, and they are increasingly victims of gender-based violence (Gender-based Violence Indicators Survey, 2012; UNCEF, 2011). Further, cultural attitudes that hinder women's progress are still entrenched in some communities. Available literature on the empowerment of poor women in Botswana shows that they are seldom provided with a platform to express their views. Their voices thus remain marginalized under the pretext of culture. Too often, menfolk or other powerful groups and government speak and think on their behalf leading to improper misunderstanding and misinterpretation of their experiences and aspirations for development.

In the context of this article, the fundamental goal of empowerment is to help Kgopolano GROW Group transform the lives of women from poverty to sustainable livelihoods. Empowerment is intended to help the women unleash their creative and productive energies in order to achieve continuous improvement in their living standards. It involves engaging poor women and other relevant stakeholders in a transformative process that seeks to enable and help them to understand the challenges and/or reality of their environment (social, economic, political, ecological and cultural) and to help them learn how to solve those challenges themselves. This notion is against current approaches to development that promote dependency on government and donor handouts. Current government approaches to empowerment are viewed by independent social policy analysts as counter-productive and inherently unsustainable (Nthomang and Tlagae, 2015).

CONCEPTUAL FRAMEWORK: THE GROW MODEL

For the purpose of this article, PCI (2006) GROW model, predicated on the notion of social change and transformation in marginalized contexts is applied. The GROW concept was first developed by PCI in Ethiopia in 2006 with the intension of transforming the lives of the poor by building social capital, improving economic status, and increasing community participation. The GROW model was found appropriate because of its emphasis on enabling poor women in their own communities to transform their lives from poverty to improved socio-economic wellbeing. It is a conceptually coherent and practically relevant framework to address some of Botswana's deep-rooted development challenges that affect mainly women including; poverty, unemployment, inequality, welfare dependency, gender-based violence, HIV and AIDS, and other vulnerabilities. The GROW model mission is to promote universal social justice of marginalized, underprivileged, and vulnerable people in society. It advocates for the rights of people without a "voice" who have been side-lined and disempowered by structural forces in the process of development. This is particularly important in a country like Botswana which prefers top-down approaches to development where poor people are often not consulted on development issues that directly affect them (Vision 2016 Evaluation Report, 2016). The GROW model currently implemented by Kgopolano focuses on building the capacities of women for self-empowerment as well as to promote a culture of self-reliance rather than dependency on their government.

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Methodology

A brief review of the literature on empowerment across the world, data collected using focus group discussions, in-depth interviews, informal conversations, observations and programme data allowed for a detailed examination of the women empowerment narratives as a result of their interaction or experimentation with the GROW model. Over the course of fieldwork, the researcher was able to immerse himself in the lives of the Kgopolano Group and develop a broader understanding of the women's views on the GROW model and its objectives, in particular its impact on their lives and overall socio-economic wellbeing. This process enabled the researcher to draw evidence-based conclusions on the impact of the GROW model on the socio-economic wellbeing of the beneficiaries. Qualitative data obtained from fieldwork narratives, that is, women's stories, were analyzed and key results are presented and discussed in the findings below.

Findings

Evidence from fieldwork data collected in April and May 2017 identified some positive outcomes from the GROW model as reflected by some group members:

This is life, it is better than most of the things I have tried to make a living before on my own. We are now working as a group to share experiences, support and help each other. I have benefitted, and I know that my colleagues with whom we started the journey together have also benefitted. My life is far much better off than was the case before I joined and became a member of the GROW group. If I do not have money … I am now able to borrow money from the group to pay for my children's school fees, buy uniform and other basic household items. I am able to take items on credit from the kiosk (semausu) because they know I am part of the GROW group that is well respected for raising money to sustain members of the group.

The success or failure of any self-help voluntary group is often determined by the level of commitment to meet set objectives. One of the objectives of the Kgopolano GROW Group is to hold regular meetings with a view to discussing challenges faced by the group and develop solutions to address them. Meeting this objective requires holding regular meetings for discussion and decision making. The focus is on meeting poverty needs, opening a bank account, and saving money raised through income generating activities. Some of the major achievements of the GROW model identified by the group include: staying as an active member of the group, ownership of assets, sustained income, and financial security and self-empowerment. These achievements are illustrated in the narratives below.

Staying as an Active Member of the GROW Group

Members of the Kgopolano GROW reported a sense of "we" feeling and belongingness. Under the grow group they have become a family unit. Even some who have left the group to participate in government sponsored poverty eradication projects visit the remaining members of the group for guidance derived from the principles of the GROW model. In a way, their positive experiences illuminated perceived benefits of staying together. Staying together in a group has the advantages such as being able to come together think together, and share ideas on how best they can transform their lives from poverty to improved and sustainable ivelihoods.

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One group member shared the sentiments of other members when she expressed her willingness to stay as a member of the group:

I will stay because now I know from experience that the GROW group has great future potential. It is a cow and we shall benefit from both its milk and calves. Since joining this group about three years ago my life has changed for the better. I am now very positive. In the past I used to be very negative about life. I had completely given up hope and was even contemplating to end my life. Today, I am a changed woman. I am no longer that poor and a frustrated soul. I have developed confidence and can now mix freely with other people, including my siblings because I believed they no longer look down on me. Now because of the training I received, the little income I get and some savings, I have regained my confidence. I am a better person now.

Skills Development

One of the major objectives of the GROW model is to provide skills training in entrepreneurship, governance, record keeping, saving and lending. In-depth interviews with GROW group members revealed that there has been positive transformation in the lives of the people. Members have learned livelihood skills such as saving and lending money to other members and, in the process, allowing their money to grow. Some said that they have developed business skills, for example in record keeping and ability to track all money coming into the business and going out. The most rewarding experiences repeated in almost all the interviews are captured by the quotes below:

I have acquired business skills that I can use to make a living. I used to work for Ipelegeng here on a rotational basis but have since stopped. I spend all my time here because I can see the benefits.

Another respondent said:

I say thank you to PCI and Hope World Wide for opening my eyes and giving me this lifetime opportunity. If it was not of their good gesture, I do not know where I will be right now. Possibly dead, killed by HIV and AIDS because I did not have the skills on how to run a small business and save money for the future. You have given us the opportunity to learn skills on bookkeeping, stock taking and banking. As a result, we are able to survive on our own with little or no dependency on the government like many people in Borakalalo ward who live on food hand-outs from the government.

Listening to the women's narratives two years later, after my first encounter with them, I observed growth and maturity. In the past. most of the women in the group were a little shy and bashful and displayed low self-esteem. They have since gained confidence and are able to articulate their experiences freely and without fear. Clearly, they have developed good communication skills, and this is a very important ingredient for a successful self-help group. This is clear evidence that the GROW model has made a considerable contribution towards transforming the lives of women for the better. The women were happy with the outcome and would like to continue their membership and share with others their experiences and the benefits accrued. They appreciated the knowledge and skills acquired which transformed their lives for the better. They feel empowered, confident, and ready to engage in small businesses to improve their socio-economic wellbeing.

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Ownership and Sustainability

Ownership in community based organizations is critical in order to ensure continued survival of the self-help group. Ownership resides in the group members who are driving social change from within by implementing the GROW model rather than depending on donor agencies. This has been clearly demonstrated following the departure of PCI in March 2016. The GROW Group has continued to date in the absence of donor funding and technical support. This is confirmation that PCI has built capacity and the Group is self-empowered and able to continue beyond donor funding. Fundamental to the GROW group is the strength and experience of its members more than the knowledge of outside experts. Ownership is demonstrated by group cohesion and ability to deliver on set objectives. Group accomplishments include developing the Constitution, bye laws and allocating responsibilities.

To articulate issues of ownership, one group member had this to say:

I joined this group in 2011. It is now 2017 and this means that I have been a member for five years. That is why I feel I own the group ... it has become an important part of my life. I have committed all my time and energy and I am part of the group. My family has given me all the support I need because of the benefits accrued from membership.

Underscoring the sentiments expressed above, an older member of the group said:

I am the oldest member of this group and as the oldest I have earned so much respect that I feel so comfortable and at home in this group. It is my family and I belong all the time. In this group we think and plan together on how to meet our needs. In all the meetings, we speak the same language to help each other to improve our lives and those of our children and family. We think about the future, we discuss opportunities that members can engage in to transform their lives.

Another group member agreed:

I am still a member of the GROW group because of the support I get from the group. We are like family; during weddings and funerals we support each other. I had an emergency and needed money immediately and was offered a loan by the group.

From my interaction with the group, I observed that a strong sense of ownership and commitment exists in the group. Members keep coming back because they feel the group helps them at individual level to meet their needs for food, education and money. If a member has personal challenges to attend to and needs support such as obtaining a small loan, other members assist. The group, it would appear, is driven by a strong sense of meeting unmet needs of each member such as supporting one another during bereavement and weddings and how to run a small business in a profitable manner. Members support each other by encouraging them to contribute at least P2.00 (an equivalent of $ USD 20 cents) every week. Group savings provide small loans during times of need.

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Financial Independence

One central objective of the GROW model is to create financial independence among its members through small weekly savings. Contributions are collected from members, saved, and ultimately loaned to members as and when the need arises. The sentiments expressed by all the group members interviewed is that this aspect has been achieved resulting in a positive impact on their lives. They are now inspired to continue running small businesses and saving the proceeds. Most are involved in small projects, including selling traditional foods harvested from the farm; making watermelon jam, floor polish, and the sale of goats and chickens. Women continue to engage in other income generating projects such as bead work and running tuck shops to sell basic household commodities like sugar bread, sweets, and paraffin. Most members talked about personal aspirations as a strong push to engage in income generating projects. One of the women was emphatic that:

It is important to manage our own businesses. This has generated income for ourselves, our children and families. We have used the money to transform our lives for the better. GROW has given us skills on how to raise funds and sustain ourselves.

Interestingly, some members who had left the group after acquiring the skills through the GROW model are now running their own businesses independently. For example, one of the women I spoke to has approached social workers in Molepolole to assist her to process an application to acquire goats through the Botswana Government Poverty Eradication Programme. This was confirmed by the programmes officer for Hope Worldwide Botswana (HwwB) who has been working with the women to ensure that they utilize skills learned through the GROW model. This is yet another affirmation that the GROW model has positive, long lasting benefits.

From the foregoing discussion, it may not be unreasonable to conclude that the major advantage of the GROW model is that it has provided much needed skills that were employed to relieve group members from hunger and destitution, thus instilling a sense of dignity and pride. Women in Borakalalo Ward who were jobless, idle, desolate, and poor are now engaged in self-help, income generating projects that have enabled them to transform their lives for the better. Local NGOs (HwwB), social workers and community leaders who were interviewed also underscored the women's achievements with respect to employment creation leading to transformed socio-economic wellbeing. By engaging in income generating activities, it is anticipated that the women will generate sufficient funds to buy the basic necessities of life such as food and clothing and to pay school fees and buy uniforms for their children as well as to build houses for their families. Financial independence brings dignity into the home and a good relationship between husband and wife and thus peace in the household.

Challenges Faced by the Kgopolano Group

Implementing the GROW model by the Kgopolano women's group has not been without challenges. Thus, despite positive results, research evidence suggests numerous challenges, including; slow return on investment or rates of return; inadequate entrepreneurial skills; and difficulty attracting youth.

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Slow Return on Investment

As indicated throughout this article, Kgopolano GROW Group comprises of very poor women who are eager to change their life situation for the better. Engaging in income generating activities such as *Dimausu* (a tuckshop or Kiosk) and selling traditional wares, have taken time to produce the desired results such as liberating them from poverty as was originally envisaged. This had negative implications on loans to members. As a result, some members became frustrated, lost patience and left the group.

A key informant noted with respect to the above:

Slow rate of return is often a challenge to poor people with limited or no alternative sources of income. Failure by the group's income generating projects to yield immediate results can result in frustration and helplessness. I have observed this among some group members, who have become frustrated because it has taken a long time for the group to meet their needs and expectations. They have been forced by circumstances to look for better opportunities to change their poverty situation. They have been forced to look for projects that provide immediate gratification.

Another member of the group observed that:

You know … all members of the group are poor and have, for a long time experienced many challenges in their lives. Kgopolano is our hope in that it has provided us with skills to help improve our lives. But given where we started and our socio-economic realities, it has taken a long time to bear fruit. I have remained patient, but my family is complaining and putting a lot of pressure on me. The family complain that it is taking too long and they want to see some changes otherwise it will be a waste of time [o kare ke go dia nako hela ka maduo a bonya e bile ga a bonale] … it's like a waste of time since the results are slow.

Inadequate Entrepreneurial Skills

Kgopolano GROW Group members are generally illiterate. Many of them can barely read and write having only primary level education. Modern businesses require complex entrepreneurial skills to grow and remain competitive in a rigorous business environment. This is true for all businesses regardless of their size. Although most women are talented and possess traditional skills in such trades as weaving, basketry and pot making, they lack entrepreneurial skills. In particular, they are deficient in basic marketing and bookkeeping skills. Some group members have admitted that they have been taught skills by PCI and HwwB on how to run a small individual business, but they still feel inadequate and hence are afraid to start due to fear of failure.

One member noted the challenges thus:

Yes, we have been taught skills on how to run a business, but it is not always easy to start. This is because before one could start they should gain the confidence to start and be willing to take risks associated with the business. The difficulty stem from the fact that many of us are afraid of take risks. Some member are even reluctant to take a loan from the group to meet their needs. They are always concerned about the consequences in the event they fail to service the loan.

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The above quote underscores the fear that women have that undermine self-empowerment. The reality is that, although the group has received requisite training in running a small business, they still lack the confidence to start their own. This is not surprising because most poor people without entrepreneurial skills lack the zeal and confidence to start a business because they believe it is very risky. Instead, they would rather go back to their "comfort zone" dependency on support and 'baby-sitting' provided by government or donor agencies. As such there is a tendency to resist taking a loan because of fear of failure and its consequences.

Building the capacity of poor women to manage businesses requires constant mentoring and support through skills building. It is, therefore, important for development partners, NGOs, and relevant government ministries and departments to provide special skills on confidence building, mentoring and running small sustainable businesses.

Difficulty Attracting and Retaining Youth

The prevailing concern that has plagued the group since its inception is failure to attract the young people to become members. Youth participation is very important to ensure sustainability and continuity. This is even more critical for a country like Botswana with more than two thirds of its population aged below 35 years (National Youth Policy, 2010; Statistics Botswana, 2011). Most importantly, young people are over-represented in poverty and unemployment. As such, it is important to attract the youth to participate in initiatives geared towards addressing the challenges of poverty and unemployment.

Most women interviewed repeatedly expressed the concern regarding the absence of youth participation by noting that:

Young people are not coming forward to join the group. I do not know why. Maybe they think this is for elderly women with children and those who stay at the lands.

Another interviewee expressed similar sentiments and concerns about the youth:

Young people do not like engaging in traditional projects that bring in money slowly. Some do not want to be seen at the bank depositing small amounts of money. Many of them want fast cash for immediate gratification.

Against the above background, it is therefore important to reach out to young people and educate them about the benefits of the GROW model. The aim is to create employment opportunities and to get young people out of poverty. This is done by teaching them business skills which they could use to transform their lives.

In summary, the challenges presented above must be addressed urgently with a view to strengthening the capacity of group members to transform their lives in a sustainable manner. Failure to respond in a timely fashion may undermine Kgopolano's efforts to improve the group's socio-economic wellbeing. Fundamentally, its survival is dependent on group cohesion, member's commitment and a focus on the broader goals of skills building, employment creation and poverty reduction in order to meet member's needs for self-empowerment. This is possible when group members are willing and motivated to work hard to overcome the challenges they are facing.

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DISCUSSION

The factors that motivated the formation of Kgopolano GROW Group are clear. It was formed for purposes of addressing the challenges of poverty, unemployment and the creation of income generating opportunities for the poor rural women with a view to improving their quality of life. These objectives remain valid today. The Kgopolano GROW Group has, since its formation made concerted efforts to deliver on this transformational agenda with mixed results. Available evidence suggests that the Group has been able to achieve some of its objectives notwithstanding some challenges (Nthomang & Tlagae, 2015). The analysis showed that the group's successes exceeded expectations. Thus, more achievements than challenges were recorded. In terms of achievements, Kgopolano GROW group members have acquired training, skills and self-empowerment and this has resulted in increased self-esteem and dignity leading to independence from government welfare provision upon which they have relied in the past. The Group's contribution to poverty reduction through income generating activities and savings has hitherto been very encouraging and generally a success. Kgopolano Group members have affirmed an improvement in their socio-economic wellbeing and linked that to the successful implementation of the GROW model.

Kgopolano group achievement referred to above is a clear demonstration of the potential of the GROW model in achieving self-empowerment. To be effective, the most basic principles of empowerment should be implemented. These include, inter alia, the following:

1. **Commitment to Self-Empowerment:** The most fundamental factor determining effectiveness of voluntary self-help group is commitment of its members. An empowered woman from GROW is confident and not afraid to seek help to pursue set goals.
2. Confidence and belief in self-promote group cohesion which is central to its sustainability. Solidarity based on shared values and mutual interests is fundamental to the attainment of group objectives.
3. Confidence building, patience, and perseverance captured in metaphors like *"le tsema le thata ka mong wa lone'* [independent living is a virtue] are central to Kgopolano group sustenance and continuity. There is need for continuous mentoring and support in order to gain confidence and produce results which in turn will motivate members. This promote the zeal for hard work and design solutions to problems of poverty and unemployment.

The above notwithstanding, it has been demonstrated that although the GROW model has great potential to transform lives in marginalized contexts through building resilience, self-confidence and economic empowerment, this potential is often undermined by some factors beyond the group's control. These include a general lack of group cohesion, insufficient entrepreneurial skills and the group's failure to renew itself. These factors conspire to undermine future sustainability of the group (Nthomang & Tlagae, 2015). These could be addressed through embracing the values of social capital, including; norms of reciprocity, mutual trust, collective efficacy, participation and joint community activities and actions. Taken together, these values reinforce the need to work together as partners and collaborators for self-empowerment.

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CONCLUSION

The article assessed the contribution of the GROW model in transforming the lives of the poor women in Borakalalo Ward, Molepolole Botswana. Its main objective was to assess efficacy of the GROW model in achieving self-empowerment by stimulating poor women's inner strength to confront endemic problems of poverty and unemployment that has become part of their lives. Overall, evidence obtained from the in-depth interviews with women and author's observations and other data sources suggests that, although Kgopolano has not "fully" accomplished its empowerment journey, in terms of realizing its goals of self-help, building resilience, confidence, group cohesion, entrepreneurial skills that will enable the group members to exit from poverty, the group has made tremendous progress in achieving some of its objectives – transforming lives from poverty to sustainable livelihoods. Two major conclusions are reached (i) poor women have acquired basic skills on group cohesion independence from donors and entrepreneurship e.g. how to run small businesses and manage loans given to group members (ii) Self-help partnership environment has been cultivated and now exists, what is lacking is effective nurturing of such an environment so that it is sustainable and directed towards meeting the groups goals of transforming lives which has hitherto been undermined by the challenges relating to; slow return on investment, lack of entrepreneurial skills, lack of youth participation and an uncertain future and general lack of community support and participation in the various activities of the group.

The above notwithstanding, this article conclude that poverty and unemployment are a reality in Botswana which affect mostly women. That numerous interventions have been put in place to address poverty and unemployment in marginalized context, but the results have been very disappointing. The GROW model has great potential to "fix" the problems of poverty and unemployment in a sustainable manner and this has been amply demonstrated by the women's narratives reported in this article. The broad consensus gleaned from women's stories is that the GROW model is working and has made, and continues to make, a positive impact on the lives of the group members. Self-empowerment promoted by the GROW model is manifest in increased levels of confidence and a decline in the dependency syndrome among group members as well as the development of capabilities to engage in income generating activities. This is a clear demonstration that the GROW model strength far outweighs its weaknesses or challenges.

Recommendations

Going forward the following key *Recommendations* are made:

- The Government of Botswana should work in collaboration with Kgopolano GROW group to ensure that the GROW model is integrated in all poverty eradication programmes such that it becomes part of the national agenda on eradicating poverty
- Kgopolano GROW group should develop formal partnerships with government departments (Department of Social and Community Development); NGOs (Hope World Wide Botswana and PCI) and other community-based organizations to promote the GROW model as an intervention with potential to contribute to poverty eradication, self-employment and empowerment in poor communities

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- Kgopolano GROW group should reach out to the community and other stakeholders to sensitize them on the GROW model and its potential to transform the lives of the poor (best practice example)
- Kgopolano GROW group should in collaboration with government and NGOs conduct regular workshops and seminars to upskill its members and the general community on laws, policies and programs that seeks to address poverty by promoting income generating activities
- Kgopolano GROW group should promote youth participation in planning and decision-making processes with a view to generate youth interest in the use of the GROW model for self-empowerment and a break from the shackles of poverty and unemployment
- Information and training on the GROW model should be communicated in the local language that the community understand, and the benefits of such model should be clearly demonstrated
- Ministry of Local Government and Rural Development should provide both financial and human resources to support growth and sustainability of the Kgopolano GROW group
- Local and International NGOs should provide resources to support on-going training of Kgopolano group members as well as monitoring and evaluation of GROW model activities.

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Chapter 83
Global Economy Urbanization and Urban Economy Globalization: Forms, Factors, Results

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ABSTRACT

World economy globalization fundamentally changes the role of urban business systems. Now, they are the main actors of global production and trade. A dominant share of international business activity is now concentrated within a frame of global urban net. This trend transforms mechanisms and patterns of market economy institutes' functioning and stimulates the appearance of new economical, social, and political problems. This chapter includes statistical and comparative analysis of modern cities, their economical performance, and position in global economic affairs, and also an original methodology for urban business structure evaluation. It allows setting some theoretical findings about internal and external sources of urban business system competitiveness and effectiveness in a globalizing economy and the formation of an original approach to modern cities' global hierarchy evaluation.

INTRODUCTION

In twentieth century globalization became an objective condition of world economy evolution due to rapid development of multinational corporations, liberalization of cross-border movement of productive factors (capital, technology and skilled labor), fast flourishing of information and communication technologies, transformation of international and national regulating of economical and social processes.

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The dynamics of globalization identified a number of fundamental transformations that are changing a basis of world economic relations, balance of power in the global production and distribution.

Firstly, feature of economy globalization is a combination of processes of autonomy and integration (Naisbitt, 1994, p. 43-48). This is broadly well-known as a «paradox of Naisbitt»: higher level of economy globalization makes its smallest agents stronger.

Consequently, in the context of globalization small and well-managed agents of the world economy have got competitive advantages of global scale, have started to extend their own economic impact on the world market (due to the usage of transnational productive - distributive systems and opportunities of international markets).

Secondly, globalization requires a maximum involvement of every subject (agent) into the world economical processes, its maximum integration in common economic space. This increases a competitiveness of the small agents of the world economy that are capable to develop own infrastructure for rapid development of foreign affairs and trade.

Thirdly, globalization dynamics of technological progress has highlighted innovative and infrastructural factors of competitiveness (legal, economic environment, innovative potential of society, level of intellectualization of production, and so on), that can be effectively concentrated in frames of smaller (in comparison with the states) business systems.

These patterns of the modern globalization determine a theoretical basis of transformation of urban business systems' economic importance and development of the global cities as new world economic agents.

During five-six thousand years of own evolution the cities developed from relatively small, simply organized and structured settlements to complex and large economic, social, political, cultural, religious, scientific, military and strategic centers and agglomerations.

As a business system city can also be characterized by number of features. Firstly, cities have certain limits and boards that allow their existence independently from the other units. The urban business systems' boundaries are defined by territory, name, organizational structure, etc.

Secondly, every urban business system is characterized by a combination of local resources, by their quality and capacity.

Thus, the dynamics of globalization processes, giving a global competitive advantage to the small business systems, allows them to gain competitive advantages of a global scale, to encourage some transformations of the world economy structure. Due to these transformations urban business systems with their strong internal links, internal unity, and high potential of own economic progress, are more comfortable than national states for international integration and are coming to the forefront of the world economy.

PROBLEM, PURPOSE, AND OBJECTIVES OF THE STUDY

Development of the world economy demonstrates a significant growth of global economic role of urban business systems. Cities concentrate production, innovations, commercial potential and any international business activity. Today a share of hundred of the world major cities in a global GDP is bigger than 30%.

It is caused, firstly, by internal features of urban business systems' organization, such as locality, better management, high domestic consumption, innovative and cultural potential, investment attractiveness

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and transport infrastructure, possibility for formation of new areas for business activity. And, secondly, by current trends of globalizing world (such as growing urbanization, capital and labor mobilization, post-industrialization, expansion of multinational corporations, development of information and communication technologies). Needs to consider causes, factors and consequences of formation and development of the global cities system identified a relevance of this study.

The purpose of the study: based on the theoretical analysis of factors of global cities' formation and development, on the role of urban business systems in modern world economy to determine features and patterns of urban business systems' globalization and positioning within a frame of global cities' net.

Objectives of the study:

- To identify globalization and world economy transnationalization as the factors for changing of economic role of the cities, for creation of new kinds of urban business competitive advantages, for formation of network of the global cities and for a concentration of international economic affairs within this net;
- To consider a role of urban business systems in dynamic of economic integration, to evaluate world biggest urban business systems by criteria of their economic, demographic, legislative and financial performances, by their innovative, investment and tourism potential and environment;
- To identify the role of global cities in world economy networking; conditions of formation, principles of functioning of the global cities' network and possible consequences of its development;
- To analyze interactions between the cities within a global system of urban economies, to assess its dynamics and intensity;
- To identify types of urban economies depending on city's positioning in the global hierarchy, and abilities of this hierarchy transformation in the dynamic of world economy;
- To study dependence between a quality of urban governance and local business global economy performance; to offer conclusions about global hierarchy of the global cities and features of inter-cities relationships within this structure

Following hypotheses of the study were set:

H1: Globalization as a trend of world economy development is also a process of increasing of cities' economical role, supports a movement of urban business systems' competitive advantages to the global level, and stimulates concentration of world economical activity within a frame of global cities' net.

H2: There is a high positive correlation between global economic role of the city and its economic role within national economical system.

H3: There is a high positive correlation between quality of local (urban) governance and global economical role of the city.

H4: There is a high positive correlation between quality of local (urban) governance and economical role of the city in the national economical system.

H5: There are few kinds of the cities, differing by their economical role, forms and intensity of their relationships with national industries and world market, dynamics of economical growth in the global net of urban business systems.

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LITERATURE REVIEW

Formation of theory of global cities and urban business systems functioning has a long history. As a founder of modern research in this area we can name Geddes, P. who in "Cities in Evolution" started to use a category "global city".

Naturally, at the beginning of the twentieth century a combination of three criteria - political significance, economic strength and population size - was a main reason for any city to become "a world center" (Geddes, 1915).

In 1966 Peter Hall published "World City". He defined world cities as the national and international centers of political power; centers of national and international trade; centers of professional activity; consumption, information and diffusion of technology through means of mass communication, culture, entertainment and services industry (Hall, 1966).

One of the first researches considered global economic role of the cities and their financial importance was conducted by Reed, H. He analyzed financial indexes in conjunction with geographical, political, economical and socio-cultural characteristics of 76 cities in 40 countries (dynamic of their development in period 1900 – 1980). Achieved findings allowed to establish a five-level hierarchy of international financial centers (with London on the top) (Reed, 1989).

In authoritative study "The Global City: New York, London, Tokyo" S. Sassen focused on new aspect of the world economy - intense transition of management, coordination and financing functions to high-end and high-tech companies.

As Sassen, S. pointed, there are four key groups of high-tech activity in the service sector: financial and business services, power and influence, creative activities and tourism.

Thus, a term "global city" currently means the city, where disproportionately high share of the economic and political institutions focused. It gives to global cities opportunities to make significant solutions for all regions of the world. Consequently, a global city has to have an infrastructure for making and realizing global solutions (headquarters of multinational and global corporations, international political and financial institutions, world stock exchanges, largest international trade fairs and so on).

MAIN FOCUS OF THE CHAPTER

Statistical Analyze of the Modern Economic Role of Urban Business Systems

Comparing the economic systems of different cities and national countries, we can highlight main advantages of the cities as world economy agents. First of all, cities have a greater mobility of people and capital. They are much more predisposed to commercialize and generate new knowledge and innovations (Velikhov, 1996, p.145-152).

Moreover, cities can be easier connected to the international trade; they have abilities to reduce transport costs, to increase own investment attractiveness, and to form new types of business activities.

An average share of the cities in national GDP of India, Russia, Brazil and some countries in the Middle East and Latin America, is on 5-10% higher than their proportion in the population of these States. It indicates a higher efficiency of the urban business systems comparing with rural areas. Modern cities are also distinguished by high rate of gross regional product's (GRP) growth.

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Table 1. Busiest air routes in the world, 2005

Nº	Pair of Cities		Passengers, mln Persons per Year
1	Hong-Kong	Taipei	2,138
2	London	New-York	1,610
3	Melbourne	Sydney	1,563
4	Los-Angeles	New-York	1,534
5	Rome	Milan	1,533
6	Cape town	Johannesburg	1,406
7	Amsterdam	London	1,24
8	Chicago	New-York	1,160
9	Bangkok	Hong-Kong	1,141
10	London	Paris	1,070

Global Cities' Economic Integration: Dynamic and Intensity

Attempts to consider a world economy as a network of interacting cities have been made since the 1990's.

An approach of GaWC expert group is one of the most prominent (Taylor, 2004, 2011). This group analyzes interdependence between global cities networking and world economy transnationalization.

Manufacturers of high-end services form a core of global service industry, offer possibilities of "global service" for MNC's and aggressively develop an international network of the own offices. In this network system the cities are considering as points, where interests of the global companies intersect. For identifying inter-urban linkages GaWC uses information about location of offices of TOP-100 largest multinational companies.

According to GaWC research mostly integrated into transnational network cities are concentrated in North America, Western Europe and East Asia (Hymer, 1972, p.181-194; Clark, 1996, p.41-48).

An original approach of Viltox F. and Verekken L. (Wiltox & Verecken, 2005) to determine characteristics of the global cities' network based on the analysis of air passengers flows between them. Using statistic data from largest airports and airlines of the world, they identified world busiest air-routs and structure of inter-regional passenger traffic (Table 1).

Obtained data was visualized as a variant of global urban network that also demonstrates a leadership of U.S. and European cities and rapid increasing of global impact of Asia -Pacific agglomerations.

However, existing methods for determining patterns of the global urban network functioning are based on a comparison of selected urban indicators without taking into account regional features of the cities and their relationships with own states.

As noted before, a definition of global cities network should be based on assessment of regional significance and importance of the city (Meteleva, 2012). Further, analyzing a quality of interactions between the cities, we can identify the city's opportunities to impact on the world economy progress and to be integrated in the forming global urban network.

Within a study economic relationships between 33 world largest cities were analyzed and evaluated by following indicators:

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Table 2. Ranking of cities: most important economy partners, 2012

Nº	City	Ranking of Cities – Important Economy Partners				
		5	4	3	2	1
1	Bangkok	Singapore	Hong-Kong	Paris	New-York	London
2	Barcelona	Frankfurt	Madrid	Paris	New-York	London
3	Berlin	Toronto	Tokyo	Paris	New-York	London
4	Buenos-Aires	Hong-Kong	Paris	Tokyo	New-York	London
5	Hong-Kong	Paris	Singapore	Tokyo	London	New-York
6	Jakarta	Tokyo	Sydney	Paris	New-York	London
7	Johannesburg	Hong-Kong	Singapore	Tokyo	New-York	London
8	Kuala - Lumpur	Tokyo	Sydney	Hong-Kong	New-York	London
9	London	Los-Angeles	Tokyo	Hong-Kong	Paris	New-York
10	Los-Angeles	Paris	Tokyo	Hong-Kong	London	New-York
11	Madrid	Milan	Tokyo	Paris	New-York	London
12	Manila	Singapore	Shanghai	Sydney	New-York	London
13	Melbourne	Hong-Kong	Paris	Sydney	New-York	London
14	Mexico	Hong-Kong	Madrid	Tokyo	New-York	London
15	Milan	Singapore	Paris	Tokyo	New-York	London
16	Moscow	Tokyo	Hong-Kong	Paris	New-York	London
17	New-York	Los-Angeles	Paris	Tokyo	Hong-Kong	London
18	Osaka	Toronto	Paris	Tokyo	New-York	London
19	Paris	Singapore	Hong-Kong	Tokyo	New-York	London
20	Beijing	Sydney	Hong-Kong	Paris	New-York	London
21	Rome	Frankfurt	Tokyo	Paris	New-York	London
22	San - Paulu	Madrid	Paris	Tokyo	New-York	London
23	Santiago	Madrid	Paris	Tokyo	New-York	London
24	Seoul	Hong-Kong	Paris	Sydney	New-York	London
25	Sydney	Paris	Singapore	Hong-Kong	London	New-York
26	Singapore	Tokyo	Paris	Hong-Kong	New-York	London
27	Istanbul	Singapore	Hong-Kong	Paris	New-York	London
28	Stockholm	Milan	Toronto	Paris	New-York	London
29	Tokyo	Singapore	Paris	Hong-Kong	London	New-York
30	Toronto	Sydney	Singapore	Paris	New-York	London
31	Frankfurt	Hong-Kong	Tokyo	Paris	New-York	London
32	Chicago	Hong-Kong	Paris	Tokyo	London	New-York
33	Shanghai	Paris	Sydney	Hong-Kong	New-York	London

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- Number of headquarters / branches of MNCs (data from "Forbes-2012" / www.forbes.com/researches.html);
- Number of national companies branches in partner city (data from "Forbes-2012"/ www.forbes.com/researches.html);
- Number of national financial MNCs based in the city, and number of their branches in a partner-city (data from "Forbes-2012" (TOP-500 companies in the world, 2012);
- Urban export to partner city (data from web sites of the cities (urban commercial departments), 2012);
- Urban import from partner-city (Data from web sites of the cities (urban commercial departments), 2012);
- Investments from / to partner city;
- Number of flights between a pair of cities per day;
- Number and amount of money transfers to / from partner city per year (data from web sites of the cities (urban commercial departments), 2012);
- Number of students from partner city in largest local universities (Data from Pricewaterhouse Coopers, 2012);
- Number of applications for extension working / migration visas by residents of the partner city per year (Data from Pricewaterhouse Coopers, 2012);
- Daily Internet traffic between the pair of cities (Data from annual report by Microsoft, 2012);
- Number of tourists' arrivals from the partner city per year *(Annual report by World Tourism Organization*, 2012);
- Existing preferences and special regimes for the development of business relations with the partner - city (*Mapping the global network economy on the basis of air passenger transport flows*, 2012);
- State of information environment of economic relations between the partner cities (number of partner-city's references at city official web-site (calculated by authors).

An assessment of interdependence of world major cities was made by 12- points' scale (12 points were given to the maximum value of each indicator). The results are shown in Table 3.

As can be seen from the Table 3, maximum intensity of correlations is observed in pairs London and New-York (absolute maximum), Hong- Kong and New-York, Hong-Kong and London, New-York and Los-Angeles.

Minimum intensity is typical for relationships between geographically dispersed regional centers (such as Berlin and Shanghai, Osaka and Barcelona). Based on this data we can show five most important economic partners for modern cities (Table 2).

It is obvious that the most important economic partners of all analyzed cities are London, New-York, Hong-Kong, Tokyo, Paris and Singapore. Due to maintaining of own intensive connections with the capitals of Latin America we also can see Madrid in this Global Ranking and also Toronto, Sydney, Shanghai, Frankfurt that have high economic impact in different regions.

Based on the data from Table 3 we can rank cities of the world by diversification of their international relations (Table 4, 5).

It's obvious that cities playing a less significant role in the global economy in general have more diversified foreign economic relations and maintain relationships with major urban economies of the world at approximately similar level of intensity.

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Table 3. Intensity of the modern inter-cities relationships

Cities	Bangkok	Barcelona	Berlin	Buenos-Aires	Hong-Kong	Jakarta	Johannesburg	K - Lumpur	London	Los-Angeles	Madrid	Manila	Melbourne	Mexico	Milan	**Moscow**	New-York	Osaka	Paris	Beijing	Rome	San - Paulu	Seoul	Sydney	Singapore	Istanbul	Tokyo	Frankfurt	Shanghai
Barcelona	4																												
Berlin	2	3																											
Buenos-Aires	5	4	2																										
Hong-Kong	8	5	3	7																									
Jakarta	6	4	2	5	7																								
Johannesburg	4	3	2	4	6	4																							
K - Lumpur	5	4	2	4	6	5	4																						
London	8	7	4	8	11	8	7	7																					
Los-Angeles	6	4	2	5	8	5	5	5	10																				
Madrid	6	6	3	6	8	6	5	5	9	6																			
Manila	5	4	2	5	6	5	4	4	7	5	6																		
Melbourne	5	4	3	5	6	5	4	4	8	5	6	5																	
Mexico	6	5	2	6	8	6	5	4	8	6	7	5	5																
Milan	6	6	3	6	8	6	5	5	9	6	8	5	6	7															
Moscow	**5**	**5**	**3**	**5**	**8**	**5**	**4**	**4**	**9**	**6**	**6**	**4**	**5**	**5**	**7**														
New-York	8	6	4	8	11	8	7	7	12	11	9	7	7	8	9	10													
Osaka	2	2	2	2	3	2	2	2	4	2	3	2	2	2	2	2	3												
Paris	8	6	4	7	9	7	6	6	11	8	8	6	6	8	8	8	9	3											
Beijing	5	4	2	4	7	5	4	4	8	6	6	4	4	4	6	4	8	2	7										
Rome	3	4	2	3	4	3	3	3	5	3	4	3	3	4	4	4	5	2	5	3									
San - Paulu	4	4	2	5	6	5	4	4	7	4	6	4	4	6	6	4	7	2	6	4	3								
Seoul	5	4	2	5	6	6	5	5	8	6	6	5	4	5	6	4	7	2	6	5	3	5							
Sydney	7	5	3	6	8	7	6	6	9	8	7	7	6	7	8	6	9	3	8	7	4	6	7						
Singapore	7	5	3	6	9	6	6	6	10	8	8	6	6	8	8	7	10	3	10	6	4	7	6	8					
Istanbul	4	3	2	3	5	4	4	3	7	5	4	3	3	4	4	4	6	2	6	3	2	4	4	5	5				
Tokyo	7	6	4	7	9	7	6	6	10	8	8	6	6	8	8	7	9	3	9	6	5	8	6	8	10	5			
Frankfurt	6	6	3	6	8	6	5	5	9	6	8	6	6	7	8	6	9	3	10	5	5	7	6	8	8	4	8		
Shanghai	4	3	1	3	5	4	4	4	6	5	4	4	4	4	4	3	6	2	5	4	2	3	4	5	5	3	4	4	

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Table 4. Rank of cities with most diversified international relations, 2012

Nº	City	Nº	City	Nº	City
1	Osaka	12	Seoul	23	Milan
2	Berlin	13	San - Paulu	24	Mexico
3	Rome	14	Jakarta	25	Moscow
4	Stockholm	15	Sydney	26	Frankfurt
5	Barcelona	16	Buenos-Aires	27	Los-Angeles
6	Istanbul	17	Santiago	28	Singapore
7	Shanghai	18	Beijing	29	New-York
8	Melbourne	19	Chicago	30	Tokyo
9	Johannesburg	20	Toronto	31	London
10	Kuala - Lumpur	21	Madrid	32	Paris
11	Manila	22	Bangkok	33	Hong-Kong

Table 5. Ranking of the cities depending on their integration in International economic relationships, 2012[1]

Nº	City	Index[2]	Nº	City	Index	Nº	City	Index
1	London	1500	12	LA	1031	23	Manila	848
2	New-York	1468	13	Mexico	1009	24	Beijing	843
3	Paris	1261	14	Santiago	978	**25**	Johannesburg	802
4	Hong-Kong	1236	15	Bangkok	941	26	Barcelona	797
5	Tokyo	1231	16	Moscow	927	27	Kuala - Lumpur	797
6	Singapore	1192	17	Jakarta	920	28	Stockholm	725
7	Sydney	1151	18	Buenos-Aires	904	29	Istanbul	723
8	Frankfurt	1118	19	Seoul	886	30	Shanghai	679
9	Milan	1111	20	Chicago	877	31	Rome	646
10	Madrid	1093	21	Melbourne	869	32	Berlin	511
11	Toronto	1071	22	San - Paulu	850	33	Osaka	467

At the same time cities with high global economic impact (such as Hong-Kong, Paris, London, Tokyo, Singapore, and New-York) are increasingly specialized in internal(within own group) relationships.

This phenomenon, called glocalization (concentration of international economic interactions within the countries - economic leaders) is well studied now (Zinoviev, 2003); its economic causes and patterns are identified. This study confirms that a similar trend is relevant for the global cities.

Current Network of Global Cities: Structure and Potential to Transform

Based on results and conclusions about cities' world hierarchy, we can describe a network of cities that are currently concentrating most of the world production and distribution.

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Global cities (New-York, Hong-Kong-Tokyo, and London-Paris) are more closing on interactions with each other and provide a global range of the productive factors (including innovations and information, labor and capital) movement. These are three historic centers of world capitalism with currently prevailing and dominating economic role in the world.

Five global cities using instruments for global control and regulation will obviously retain their dominant position in the world economy in context of current trends and patterns of international economic integration.

In our view, changes within a round of global cities are possible only in paired centers (such as Hong-Kong - Tokyo, Paris-London), where one city will displace another.

In Europe, London will remain a leadership due to financial and innovative role of British capital.

Actually, modern leadership of Paris is not based on its global economic role, but rather, on the opposition to British economic policy (Berg & van der Braun, 1999). Existing differences in trajectories of the European Union development required a continental European counterweight with London. Frankfurt or Milan could not play of these counterweights primarily due to their small size (they are essentially smaller than London by population and economic power). Paris, as one of the oldest and third (after Moscow and London) populated capital of Europe, recognized world cultural and economic center is much better suited for the role of continental European trends' consolidator.

Currently, there are two possible scenarios for the European Union, and both of them show a decreasing of Paris' economic role.

The first scenario is a final (deepest) integration of the European Union. In this case, need of counterbalance with London will disappear and politic and economic role of Brussels will significantly increase.

The second scenario is preservation and escalating of European integration problems. In this case Paris will lose its economic impact due to the increasing of economic role of largest cities in disintegrating Europe (such as Madrid, Milan, and Frankfurt).

In Asia, the situation will also change. In our opinion, the only one Asian city will remain a global leadership and this city is Hong-Kong.

Hong-Kong is a unique project of global city that maintains a maximum integration into the world economy and has a strong support from the Mainland China, largest economy in the world.

Hong-Kong is an independent player of the world economy that has all attributes of global economic entity (national financial and monetary system, political sovereignty).

As a city-state, deprived of rural population and any problems related with economic integration, Hong-Kong can be fully oriented to the global world and build own global power.

Tokyo, being a capital of other large Asian country, cannot develop, fully focusing on the globality, especially in the conditions of relevant structural problems of Japanese economy.

From this perspective, Hong-Kong has enormous competitive advantage. Hong-Kong can be maximum focused on the world economy, can conduct an active global economic activity and form an infrastructure of global finance and economic regulation. At the same time, in case of global or regional crises, Hong-Kong can always be supported by the powerful Chinese economy. For example, in 1998 Chinese government implemented complex financial investments "saved" Hong-Kong in the midst of the Asian crisis.

Tokyo or Singapore has not abilities to conduct a really global economic activity and at the same time to be in zone of responsibility and supporting of the world's largest economic system.

In addition to 5 global cities, we also can define two other types.

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The first type includes cities of global orbit that provide a transfer of political and economic impact of the global centers, are also highly integrated into the world economy; however, are not capable to impact on its dynamics.

In the language of management, these cities belong to middle level and transfer trends, from level of global cities to the level of national economies. These cities are regional leaders and have very high impact on regional economic development.

Geographical location of the global cities provides uninterrupted operation of channels for information and production factors' transfer for functioning of the global productive and distributive systems.

Finally, the third type of cities is so called "cities - gates", that provide connections of national economies to the cities of global orbit. These cities are deprived of the world economy impact and keep intensive relationships with national economies. Moreover, only national economy, its dynamics and indicators of development are the key reasons of cities presence in the list of global "gates".

If country loses its attractiveness for the world economy, an economic importance of "city-gate" rapidly shrinks. For example, in the early twentieth century, Rangoon (Yangon) was a major "gateway" of Southeast Asia. Nowadays, in a situation of political conflict in the Union of Myanmar Yangon has no any value as a global city.

According to our findings there is only one global city in Asia-Europe part of the global orbit - Singapore. Taking into account a geographical specific of localization of largest cities in South Asia, Middle East and Russia, this chain of global urban orbit will be under a high competition for leadership between three cities whose place in the global urban network is not clear defined now. These cities are Mumbai, Dubai and Moscow.

Mumbai is now a stronghold of economic development of second populated country in the world, largest and dynamic economic system. India is interested in the presence of own cities within the orbit of global economic power (along with Singapore or Frankfurt).

Mumbai already plays a role of "gate" to Indian economy, has a huge potential to transit on higher level of global urban hierarchy.

This potential is defined by increasing financial, cultural and innovative abilities of Mumbai, rapidly modernizing urban business, transport and social infrastructure.

If India has no other cities competing for the leadership (such as Delhi, Kolkata or Chennai), Mumbai already might be regarded as a real player of global orbit. In the same existing conditions, Mumbai needs a qualitative improvement of local living conditions, enhancing of international relations (not only within Asia), building of effective institutions of global finance, transformation to not only world cultural (for example, due to success of Bollywood) but innovative and technological centre.

Mumbai authorities understand this and already implement a program of urban development "To overtake Shanghai in 2020!" (The urban poverty: Global analysis, 2009. p.9-11).

Experience of Dubai is also unique. In fact, this city now is not even a "gate" due to relatively low global economic importance of the United Arab Emirates economic system.

This country has excellent living conditions for the local residents. But their quantity (about 1 million) does not allow considering Emirates as a promising market. There is no large-scale industry and any potential for industrial growth in the nearest future. Meanwhile, the city's authorities have implemented an unprecedented program of artificial (not based on economic realities) transition of Dubai to the rank of global cities.

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Municipal authorities have set up super modern logistics, transport, services (including banking, international finance institutions, insurance, trade and tourism) infrastructure.

Since 2005, the city of Dubai has implemented large-scale programs to attract highly qualified specialists in every field of science, research and development (projects of Internet City, Education Village, Health City, and Silicon Oasis). Dubai now is a world recognized center of tourism, conventions and business trips. Before 2008 Dubai was the world leader in sales of real estate to foreign owners (due to local odious development projects).

Thus, Dubai has an infrastructure of global city, but its real economic impact is insufficient for the city's transition to the top of global pyramid. In order to overcome this limiting fact, in terms of lack of time to develop own production and distribution networks, Dubai businesses are actively investing every attractive projects, regardless of geography and undustry spheres - from retailers of South Africa to London Stock Exchange.

In economic sense Dubai has significantly less global impact than metropolises of China, Europe or India. However, taking in account ambitions of the city leadership, Dubai's fast recovering afer financial crisis - 2008, and already announced plans to diversify foreign investments and to attract foreign MNCs (by creating most favorable business conditions), as well as urban strategy of innovative modernization (that should turn Dubai into a city of high technology and cultural capital of the world in 2030), opportunities of this Arab city to enter into a global urban orbit are very real.

The third competitor for entrance into the global urban orbit (in Asia-Europe chain) is Moscow. However, a presence of Moscow in list of possible candidates is just based on the Russian capital's geographical location and its historical role as a center of state between Europe and Asia, not on the real economic strength.

Certainly Moscow is one of the most famous cities in the world, has an authority and power to impact (also due to the Soviet legacy) (Zanadvorov & Zanadvorova, 2003, p. 51-54). But modern Moscow's economy role in the global network is just a "city - gate" to Russia economy, way to huge natural resources.

And even this function Moscow doesn't realize well (Moscow's position in a global cities' rank is lower than position of Jakarta or Buenos - Aires). Moscow has the best Russia' infrastructure to develop international contacts (transport, communications, exhibition activities, financial institutions, consumer market). Moreover Moscow is a federal capital and this is an extremely important competitive advantage within current structure of Russian economy. No-one Russia city has same advantage, even some of them have more favorable geo-economic position (for example, Vladivostok, Kaliningrad and St. Petersburg).

Moscow has no any socio-economic indicator similar to the global cities. Moreover, an increasing of concentration of Russia international economic initiatives in Moscow, year by year reduces an efficiency of Moscow's business functions (due to rising of living cost, price of real estate, indicators of city's corruption, deteriorating of business conditions, increasing of urban transport problems, crime and so on).

This negatively affects investment attractiveness of the city, and desire of transnational business to include Moscow in the list of prior and favorable locations; reduces financial performance of domestic corporations.

Of course, Moscow already has some attributes of global economic center. City is actively trying to improve own image, to attract tourists and businessmen, to implement pretentious infrastructural projects. But speed and cost of this upgrade can't be compared with growing of mega-cities of the Middle East and Asia Pacific. In this problem situation, a development of Moscow is seen simultaneously in two directions:

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- Improving of Russian capital efficiency to connect national economy with global flows of goods/ services and productive factors. It will help to overcome problems of regional differentiation (at least in the European part of Russia), will provide opportunities for increasing of Moscow global competencies;
- Inclusion of Moscow in global cities orbit (in the chain Asia – Europe), turning Moscow in a world-class financial center, performs the broadcasting role between Hong- Kong and London in long term. This will require a number of infrastructure and institutional measures to level a substantial loss of Moscow to its closest competitors - Dubai and Mumbai.

Urban Business Systems' Efficiency as a Factor of Cities' Global Positioning

Studying of historical phases and modern dynamic of urban business systems' globalization allows identifying main reasons of world economy transformation to a global cities' net.

First reason is a rapid growth of urban business systems' economic importance. Cities' economical impact increased in context of world economy globalization and business transnationalization; spread out of urban or national boards, allowed them to get functions of global economic regulators.

The second reason is a structure of urban economical systems. This structure in the age of post-industrialization is increasingly focused on so-called tertiary and quaternary sectors. Post-industrialization' trend is most clearly stated in the cities, where population prefers to consume tech goods and services and to participate in information and innovation production.

For example, in Mumbai, India technological and service sectors create 64% of GRP. At the same time share of these sectors in Indian GDP is less than 28%. Same indexes for Istanbul and Turkey are 69% and 38%, Jakarta and Indonesia - 29% and 21%, Mexico City and Mexico - 25.3% and 21%, Buenos Aires and Argentina - 79% and 38%, New York and the U.S. - 84% and 58%[3].

In contrast to traditional industry and agriculture, information and service economy highly depends on space. Information is global in origin (due to its mobility), while most of services (such as business, medical, tourism) is immobile and directly related to the place of provision.

Immobility of services contributes to their localization and development of "invisible" export (when consumers have to go to the places of services' purchasing).

Finally, a third condition of global urban hierarchy formation is activities of multinational corporations. According to Global-500 list, more than 30% of all headquarters of TOP-500 MNCs is concentrated within a global cities network. Traditional geography of world largest MNCs headquarters location (mostly in Tokyo, London, New York, Frankfurt) is changing now by invasion of developing Asian and Eastern European centers.

For evaluation of business urban system efficiency impact on cities positioning withing a global hierarchy we evaluated 48 world largest (in terms of population and economic role) urban business systems. Every city was evaluated by 6 groups of criteria. Evaluation assigned a number of points - from 0 to 12 (Table 6).

Results of evaluations of these six criteria translated into 12 - points scale of assessment and are presented in the Table 7.

According to survey a leadership of New York, Tokyo and London is clear. Meanwhile, there are many cities of Asia-Pacific region, BRICS countries with a great potential for the further development.

Based on data from Table 7 we can divide explored cities on global and local leaders (as global we will consider cities from TOP-24 of this ranking).

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Table 6. Structure and criteria of urban business systems evaluation

Nº	Index	Methods of Calculating
1	City's position in a global hierarchy	Results of GaWC study were used. Alpha++ cities got 12 points. Gamma cities – 2 points. Cities out of GaWC ranking got 0 points.
2	City's role in national economy	City share in national GDP, national export and import, foreign investments flows, local stock exchange capitalization were used
3	Demographic potential of the city	Share of the city in national population, comparison of urban and national unemployment and wages
4	Conditions for running a business in the city	
4.1	Law and political conditions for running a business (10% share in final evaluation)	Based on cities rankings (Moody's Global Rank, 2012 and Ex-Im Bank-2012), process of license obtaining (number of required documents for construction, time required for obtaining a license for construction), process of property registration (number of required documents, of registering officials, time required for obtaining a property rights).
4.2	Economical stability of the city (10% share in final evaluation)	Calculating based on GRP dynamics, inflation dynamics, realty (business and residence) prices dynamics in 2012
4.3	Regime of commerce and manufacture (20% share in final evaluation)	Calculating based on process of new business registration, liberality of labor law, custom regime. Results of 'Doing Business/ Global Cities Report - 2012" were used
4.4	Financial stability of the city (22% share in final evaluation)	Calculating used - number of offices and headquarters of financial institutions and banks in the city (data of Forbs), capitalization of city stock-exchange
4.5	City's function as a business center (12% share in final evaluation)	Calculating used – process of obtaining a credit, cities credit ranking (Mastercard Worldwide, 2012), process of closing a business (Doing Business, 2012), transport infrastructure of the city, passenger and freight traffic, number of international flights in local airport per day, number of 5 stars hotel rooms per capita, share of population living in high-rise buildings (over 10 floors).
4.5	Index of innovativeness of the city (16% share in final evaluation)	Calculating used – number of universities, MBA programs, issued patents, Internet traffic per capita, number of publishing science magazines, local population access to Internet and mobile nets
4.7	Living standards in the city (10% share in final evaluation)	Calculation used results of UN-Habitat research in 2012 (Livability Indexes)
5	City attractiveness for tourism and business	Calculation used – number of arrived tourists in 2012, city popularity as a tourist and business tourism center[4].
6	Political power of the city	Results of research - Global Power City Index, 2012 by Institute for Urban strategies

Next part of research includes a comparison of roles of the local (urban) administrations in development of business environment and in deepening of urban business systems' integration in a global economy.

Role and effectiveness of municipal administration were estimated by three indicators:

- Level of corruption in city administration,
- Quality of municipal decisions and acts,
- Transparency of local government.

The index of corruption of local authorities (by 100 - point rating system) is determined annually by World Bank international experts. Assessment of the quality of municipal decision and acts were taken from the study of Lafen (2011) "The role of global cities" (original results were transformed to 100 - point rating system).

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Table 7. Global cities ranking in 2012

	City	Groups of Criteria								City	Groups of Criteria						
		1	**2**	**3**	**4**	**5**	**6**				**1**	**2**	**3**	**4**	**5**	**6**	
1	New-York	12	12	7	12	12	12	67	25	Istanbul	8	2	4	6	2	6	28
2	Tokyo	10	12	12	11	3	12	60	26	Cairo	7	1	4	6	2	5	25
3	London	12	5	3	12	12	12	56	27	Barcelona	8	2	2	8	3	1	24
4	Paris	10	5	4	11	8	12	50	28	Dubai	4	1	1	8	5	5	24
5	Los-Angeles	7	7	5	9	8	10	46	29	Kuala-Lumpur	9	0	1	8	2	4	24
6	Chicago	8	5	3	11	10	9	46	30	Rome	8	1	1	8	4	1	23
7	Singapore	10	2	2	11	7	10	42	31	Jakarta	8	1	3	6	2	2	22
8	Hong-Kong	10	3	3	11	5	8	40	32	Stockholm	8	2	0	9	2	1	22
9	Mexico	8	4	7	7	5	6	37	33	Bogotá	7	1	3	6	1	3	21
10	Beijing	10	2	4	7	5	9	37	34	Melbourne	7	2	1	8	3	0	21
11	Seoul	9	3	4	10	2	9	37	35	Rio-De-Janeiro	5	2	4	6	2	2	21
12	Shanghai	10	2	5	9	4	7	37	36	Manila	7	1	4	6	2	0	20
13	Sydney	10	2	2	10	4	8	36	37	Santiago	8	1	2	7	1	1	20
14	Mumbai	9	2	7	8	6	2	34	38	Guangzhou	5	1	3	6	3	1	19
15	Moscow	9	3	4	7	4	6	33	39	Karachi	5	1	4	7	0	1	18
16	Sao-Paolo	8	4	7	7	1	6	33	40	Lima	6	1	3	7	1	0	18
17	Frankfurt	8	4	1	10	2	8	33	41	Riyadh	7	1	2	6	1	1	18
18	Berlin	7	1	1	9	5	9	32	42	Calcutta	3	1	5	6	1	1	17
19	Buenos-Aires	9	3	5	6	2	6	31	43	Ho-Chi-Minn	5	1	2	6	2	1	17
20	Delhi	7	2	6	7	6	2	30	44	Johannesburg	4	1	1	7	2	1	16
21	Madrid	9	2	2	10	6	1	30	45	S-Petersburg	2	1	2	6	2	0	13
22	**Bangkok**	**8**	**1**	**2**	**8**	**3**	**7**	**29**	46	Casablanca	4	0	1	6	1	0	12
23	Milan	9	3	0	9	3	5	29	47	Lagos	3	0	3	4	0	0	10
24	Osaka	10	4	4	9	1	1	29	48	Tehran	1	1	3	4	0	1	10

Local government transparency was evaluated by analysis of urban e-government performance (official web portals of local authorities, quality and quantity of on-line services). Here we used 100 - point rating system:

- 10 points, when city does not have any official representation on the Internet;
- 20 points, when official portal of the city authorities just contains a basic information;
- 30 points, when official portal of the city authorities provides information about the conditions of doing business, living, real estate purchase, and so on;
- 40 points, when official portal of the city authorities has relevant information and analysis;
- 50 points, when official portal of the city authorities gives abilities for on-line consulting by municipal officials;

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- 60 points, when official portal of the city authorities offers a possibility of filling / downloading official forms and legal documents;
- 70 points, when official portal of the city authorities has information about official activities in the city with coordinates and contact details;
- 80 points, when official portal of the city authorities contains information about main projects of municipality, discussions and relevant reports;
- 90 points, when official portal of the city authorities provides information about the state / city procurements;
- 100 points, when official portal of the city authorities allows obtaining of certain government services in remote access (registration of insurance, grants, pensions, health care, educational services, and so on).

Examples of this evaluation (for 9 global cities) are demonstrated in Table 8.

Obtained data allows evaluating of the correlation between quality of urban governance and local business system global economic role.

For clear demonstration of findings we can divide the global cities for 4 categories, depending on urban business system's positioning in a global economy and quality of the local governance (Table 9).

As we can see on Table 9 an economic role of effective-managed global cities in their own countries, in general, is the lowest among all analyzed categories. The business systems of these cities are not main drivers of National economics' development; are not significantly outstanding within the frames of national economic system. High quality of the urban governance in these cities forms their ability to regulate a global economy, not only to serve as a "gateway" to the National economic systems.

On the other hand, a share of non-effective-managed local cities in the national economies is maximal. Differences between the city's share in national GDP and in national population show a high productivity of urban labor force comparing with rest of the country (the average labor productivity in non-effective-managed local cities is in 2.8 times higher than in surrounding provinces).

This suggests that these local cities received their status in a global economy only due to concentration of big productive and trade potential of countries within them (Brazil, Egypt, Philippines, Indonesia, and

Table 8. Quality of urban economical regulation (city - management)[5]

City	Index of Local Government Transparency	Efficiency of Local Government Decisions and Acts	Index of Local Government Corruption
Delhi	51	19	65
Mumbai	60	26	31
Moscow	40	33	41
Sao-Paolo	51	47	36
Mexico	51	49	38
Singapore	99	82	3
Madrid	80	86	12
New-York	91	80	14
Paris	80	86	9

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Table 9. Economical role of the cities with their classification for 4 groups depending on quality of urban governance

	City	Economical Performances of the City, 2012 г	
		Share of the City in National GDP, %[6]	**Share of the City in National Population, %**
1	**Effective-Managed Global Cities** [7]		
1.1	Chicago	4,17	2,9
1.2	New – York	10,2	6,2
1.3	London	26,3	14,3
1.4	Shanghai	3,28	1,12
1.5	Paris	27,1	16,2
1.6	Seoul	24,2	20,3
	Average in Group 1	**15,5**	**10,17**
2	**Effective-Managed Local Cities**		
2.1	Barcelona	12,5	11,2
2.2	Dubai	45,2	36,6
2.3	Kuala-Lumpur	2,17	6,8
2.4	Rome	7,9	5,6
2.5	Stockholm	52	8,98
2.6	Melbourne	24	17,9
	Average in Group 2	**24**	**14,5**
3	**Non-Effective-Managed Global Cities**		
3.1	Moscow	15,3	7,4
3.2	Mexico	26,6	17,33
3.3	Sao-Paolo	21,6	9,8
3.4	Mumbai	6,8	1,7
3.5	Delhi	5,4	1,4
3.6	Buenos-Aires	69,2	32,4
	Average in Group 3	**24**	**11,7**
4	**Non-Effective-Managed Local Cities**		
4.1	Santiago	42,7	34,3
4.2	Jakarta	10,9	3,9
4.3	Manila	49,8	12,8
4.4	Rio-de-Janeiro	10,9	6,12
4.5	Cairo	36	15,3
4.6	Ho-Chi-Minn	25,4	6,13
	Average in Group 4	**30**	**13**

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so on). In the global economy, these cities serve as coordinators of regional production and distribution systems; as portals of National economies connection with systems of transnational goods, services and productive factors transfer. However, these cities do not have any impact on the functioning of transnational economic interactions, and just keep a function of "entrance gate" for multinational business.

Cities of the third category have a global status and abilities to impact on the world economy progress. However, taking in account a low quality of their urban governance, we can suggest that global impact of these cities is only based on potential of the countries (where these cities are located), including capital, natural and human resources.

Relatively a high share of these cities in the structure of national economies can multiply (due to the concentration of all national resources within urban economy) their influence on transnational economic relations. Such cities (for example, in the case of Russia, Thailand, Argentina, Mexico) are often only one ability for national economy to be connected with existing transnational production and distribution structures; monopolize a foreign trade and multinational entrepreneurship.

Four different types of cities in the global economy significantly vary from each other by type of their relationships with national economies, institutions and global markets.

Ineffective managed local cities take a lowest position, performing mostly as coordinators for National industries development. These cities are under influence of the global economy trends but have no abilities to provide any feedback effect.

Non-effective managed global cities retain high connection and inter-dependence with the national economies; serve as the locomotive of National economic development and connect it with transnational productive and distributive chains. Meanwhile, the ability of these cities to impact on the world economy is ensured only by potential of countries of their location (raw materials, labor, innovation, and so on).

Cities of the second type with effective city management, but local in their economic role are much less dependent on business environment in own countries and are under bigger impact of global cities and world economy.

Finally, cities of 1 type are operating in transnational system of production and distribution and retain a small dependence on their own states, attract international resources and productive factors (capital, information, labor), acquire opportunity to influence on the world economy functioning.

The analysis of four types of the cities also confirms findings that well-managed global cities are growing slower than the others (Bramezza, 1996; Jensen-Butler, 1997; Kresl, 1995).

Discussion

The methodology of urban business systems evaluation, presented in this paper bases only on a comparison of objective criteria of their economical, social, innovative, technological development (Table 6).

From one hand, it gives abilities for identifying patterns of cities' positioning within a global system of division of labor.

From the other hand, this research doesn't take in account real forms of economical interactions between the modern urban business systems, their intensity and dynamic (such as inter-cities trade, passenger or internet traffic). Interactions between urban business systems within a frame of global cities' net can be considered as a prospective direction for further research and studies, which are able to clear a modern global hierarchy of the cities and patterns of urban business systems globalization.

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Moreover, for testing economic efficiency of local (urban) governance only three aggregated indexes (local government's transparency, local government corruption and efficiency of local government's decisions and acts) were taken in account. It is sufficient for consideration of world urban business systems' hierarchy consisting of 4 kinds of global cities (as was proved in a study). But importance of increasing the number of local governance criteria for further research is also obvious.

CONCLUSION

Globalization as a process of world economy transformation, increasing of integration between national economical systems, formation and fast development of transnational manufacture and distribution chains transferred local advantages of effectively managed urban business system (small size, high level of infrastructural development, innovative and consumption potential and so on) to the global level, gives abilities of global economical stimulation and regulation, opportunities to concentrate productive and consumption potential of whole world within a frame of global cities chain. Additional reasons for cities transformation to the main actors of global economy are traditional structure of urban business systems (that are maximally proper for globalizing economy requirements), their easy access to the world financial and technological markets, their high innovative potential, and abilities of urban consumption markets and so on.

Existing methods of determining the patterns of global cities' network functioning based on a comparison of urban development indicators (Beaverstock & Smith, 1999; Begg, 1999; Duffy, 1995; Knox, 1995) without taking into account regional features of the cities and relations with own countries. Thus, based on proposed classification, global cities hierarchy and evaluation of 15 criteria (number of head offices / branches of national TNC, value of inter-cities export-import operations; inter-cities investment flows, passenger traffic, Internet traffic, number of tourist exchanges, state of information environment development and so on) paper analyzes an intensity of economic interactions between cities, determines their potential impact on the global economic progress, value of their integration into the global network.

Maximum intensity of economic relationships was observed between pairs of cities - London-New-York, Hong-Kong-New-York, Hong-Kong-London, and New-York-Los-Angeles. Less intensive relationships are built between geographically dispersed regional centers, for example, Berlin-Shanghai or Osaka-Barcelona.

Cities with less significant role in the global economy, however, have more diversified foreign economic relations; maintain connections with major urban economies in the world at approximately the same level of intensity. While cities with a global impact (Hong-Kong, Paris, London, Tokyo, Singapore, New-York) are specializing in internal links (within a group). This trend (glocalization) is legitimate in a growing global influence of these cities; they form a framework of current world economy.

Municipal infrastructure assessment of allows selecting tools of conservation a global leadership of few cities associated with the functioning of global finance institutions, transnational movement of highly skilled labor force, innovative development and inner (urban) consumption.

High capitalization of stock exchanges of the global cities, provided mostly by foreign capital, demonstrates their ability to concentrate of global financial flows within its own network. Global cities also act as leaders in the field of innovations, creating a necessary infrastructure for new knowledge generation, opportunities to commercialize innovations by expense of venture investment programs and public funding.

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Global cities that have a maximum variety of economic, social, cultural, recreational, service infrastructure, headed the ratings of most attractive places to live, ensure a constant supply of highly qualified labor from around the world. The major advantage of a global city also is capacious and diversified consumer market that develops through growth of urban population income. Quantity and quality of consumer demand is also a condition for financial, innovative and political progress of the urban economy.

Global cities (New-York, Hong-Kong-Tokyo, and London-Paris) are closing more on interaction with each other, providing a range of major global movement of factors of production, including innovation and information, labor and capital. These five global cities representing three world centers of capital will retain their dominant position in the global economy while modern trends of international economic integration continue.

Changes in circle of the global players are only possible in the pair centers (Hong-Kong - Tokyo, Paris-London), where one city will displace other.

In Europe where the position of Paris is not based on its global economic role, but rather, on the opposition to the British continental economic policy (both by optimistic and pessimistic scenarios for European integration development), London will be only one global leader.

Hong-Kong will be the only global city in the Asia-Pacific region. Now Hong-Kong is slightly inferior to the Japanese capital in its socio-economic development and economic role, however, Hong-Kong is a unique project of global city that, maintaining a maximum integration into the world economy, has a strong support from the Chinese mainland.

In addition to the global cities in proposed version of world urban network we identified cities of global orbit and "cities-gates". Cities of global orbit provide a transfer of political and economic influence from global centers and are highly integrated into the world economy.

Their geographical location ensures a smooth functioning of communication channels and transfer of productive factors required for global production and distribution system.

"Cities – gates" allow connection of national economies to the cities of global orbit. They are deprived of impact on the global economy and keep relationships with economy of the country and conditions of its functioning.

Currently there is only one city in the second part of the global orbit - Asia-Europe - Singapore. Taking in account geographical specific of localization of the largest cities in South Asia, the Middle East and Russia we can suggest that this place in the global orbit will be a place of strong competition between three cities, whose place in urban global network at the present time is not defined - Mumbai, Dubai and Moscow.

As was proved in the study effectively managed global cities normally have not high economical importance in national economical system – they are globally competitive, attractive for multinationals, and are mostly concentrated to operate in transnational system for goods and services production and distribution.

At the same time ineffective managed global cities have strong relationships with own national economical systems, prove its access to the world markets (of capital, high skilled labor force, innovations and technologies, or consumer markets) and traditionally have determining economic impact on national economical system's development.

Due to its impact on the cities' global competitiveness and business attractiveness quality of local governance (transparency, corruption, tactical and strategy efficiency) is a reasons for identifying 4 kinds of the cities within a global urban net. They are effectively managed global and local cities and ineffectively managed local and global cities.

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This allows identifying a hierarchy of world cities, to predict interactions between urban business systems and international economic institutions, national economies. In any case, the presence of cities hierarchy implies an existence of certain patterns of forming of economic interactions between modern urban business systems, a formation of global cities network that is more and more concentrating almost all world economy.

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KEY TERMS AND DEFINTIONS

Characteristics of Global Cities: Standard characteristics of world cities are: variety of international financial services, notably in finance, insurance, real estate, banking, accountancy, and marketing; headquarters of several multinational corporations; the existence of financial headquarters, a stock exchange and major financial institutions; domination of the trade and economy of a large surrounding area; major manufacturing centers with port and container facilities; considerable decision-making power on a daily basis and at a global level; centers of new ideas and innovation in business, economics, culture and politics; centers of media and communications for global networks; dominance of the national region with great international significance; high percentage of residents employed in the services sector and information sector; high-quality educational institutions, including renowned universities, international student attendance and research facilities; multi-functional infrastructure offering some of the best legal, medical and entertainment facilities in the country (Florida, R. (2012). What Is the World's Most Economically Powerful City? The Atlantic Monthly Group. Retrieved 19 June 2013).

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Economies of Agglomeration: Is used in urban economics to describe the benefits that firms obtain by locating near each other ('agglomerating'). This concept relates to the idea of economies of scale and network effects. Simply put, as more firms in related fields of business cluster together, their costs of production may decline significantly (firms have competing multiple suppliers, greater specialization and division of labor result). Even when competing firms in the same sector cluster, there may be advantages because the cluster attracts more suppliers and customers than a single firm could achieve alone. Cities form and grow to exploit economies of agglomeration.

Global City (World City): Is a city generally considered to be an important node in the global economic system. The concept comes from geography and urban studies and rests on the idea that globalization can be understood as largely created, facilitated, and enacted in strategic geographic locales according to a hierarchy of importance to the operation of the global system of finance and trade (The Global City Competitiveness Index. Managementthinking.eiu.com. 12 March 2012).

Glocalization: Serves as a means of combining the idea of globalization with that of local considerations. Thus, initially developing an understanding of globalization offers a great deal of assistance in beginning to understand the function and meaning of glocalization. As explained by Phillip Hong and In Han Song, glocalization corresponds to the integration of local markets into world capitalism (Sharma, C. (2009). Emerging Dimensions of Decentralization Debate in the Age of Globalization, Indian Journal of Federal Studies Vol.19, No. 1: 47-65). Manifested by global changes in structures of the economy, globalization entails a restructuring of the world economy and a spatial reorganization of production and consumption processes across political states (Hong, P. & Song, I. (2010). "Glocalization of social work practice: Global and local responses to globalization". International Social Work 53 (5): 656–670).

The Ranally City Rating System: Is a tool developed by Rand McNally & Co. to classify U.S. cities based on their economic function. The system is designed to reflect an underlying hierarchy whereby consumers and businesses go to a city of a certain size for a certain function; some functions are widely available and others are only available in the largest cities. The system consists of a number and a letter. The number reflects a city's importance in the national hierarchy. Nationally important business centers are ranked 1. Regional business centers are ranked 2. Significant local business centers are ranked 3 and business centers whose importance is purely local are ranked 4. the letter reflects its importance in its own area. Doubled letters serve to distinguish centers within a class. The most important center in a market (trading area) is given some kind of A. Other business centers in the same market area will be given B or C depending on their importance.

Urban Economics: Is broadly the economic study of urban areas; as such, it involves using the tools of economics to analyze urban issues such as crime, education, public transit, housing, and local government finance. More narrowly, it is a branch of microeconomics that studies urban spatial structure and the location of households and firms (Quigley, 2008).

Urban Planning (Urban, Merged Urban Regions, Regional, City, and Town Planning): Is a technical and political process concerned with the use of land and design of the urban environment, including air and water and infrastructure passing into and out of urban areas such as transportation and distribution networks. Urban planning guides and ensures the orderly development of settlements and satellite communities which commute into and out of urban areas or share resources with it. It concerns itself with research and analysis, strategic thinking, architecture, urban design, public consultation, policy recommendations, implementation and management (Taylor, Nigel (2007). Urban Planning Theory since 1945, London, Sage).

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ENDNOTES

[1] Made by author. Indexes of intensity of inter-city relationships were used. 33 world-largest urban economies were considered.

[2] Maximum index (for London) is 1500.

[3] Calculated by authors, data from www.wikipedia.org was used

[4] Was identified based on number of web-sites founded by Google.com for requests in English – "Exhibitions in…", "Conferences in..", "Tourism in…"

[5] Calculated by authors, following offered methodology. Used data of 2012.

[6] Calculated by authors. Data of World Bank and UN-Habitat, 2012 was used.

[7] 6 cities were considered within each group. Singapore and Hong-Kong (city-states) were not considered

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Chapter 84
Correlates of Political Consumption in Africa

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ABSTRACT

Using the marketplace as a site for political action with social change motives is referred as political consumption. Boycott, as a form of political consumption is an innovative way being used by citizens to directly express their attitudes, interests and concerns with the ultimate goal of influencing public affairs. This book chapter specifically examines the correlates of boycott as a form of political consumption in Africa using Wave 6 of the World Values Survey. Based on binary logistic regression, the correlates of boycott action are: level of education, gender, social class, media usage, gender equality, institutional confidence, social network, interest in politics, life satisfaction, seeing oneself as being part of world citizenship, seeing oneself as being embedded in local community, importance of doing something for the good of society, importance of traditions, and importance of riches or expensive things. These findings have implications for reaching out to boycotters.

INTRODUCTION

The use of the marketplace to influence social policy changes is referred to as political consumption. The growing tendency by citizens to use political consumption has been widely linked to the inability of conventional forms of political participation to deal effectively with public issues (Goodman & DuPuis, 2002; Halkier & Holm; 2004; Stolle, & Micheletti, 2013). Boycotts—punishing businesses for unfavorable behavior (Neilson, 2010, p. 214) and buycotts—the deliberate act of purchasing a product to support specific ethical, moral, or political concerns (Sandovici & Davis, 2010, p. 329) are considered as forms of political consumption. The phenomenon of political consumption has been widely studied in post-industrialized nations but not much has been written about such social change-oriented actions in developing countries (Adugu & Ampadu-Ameyaw, 2014). The objective of this book chapter is to explore the relationship between engagement in boycott action and attitudinal variables (such as life satisfaction,

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political interest, embeddedness in social network, etc.), Schwartz values and socio-demographics in the context of representative national survey data from Africa using Wave 6 of the World Values Survey.

CONSUMERS AS MARKET ACTORS

In general, consumption includes activities of buying goods, social relations connected to the provision, allocation and use of goods and services and can also be viewed as part of the social space in which people participate in creating and reproducing meanings about the occurrences of everyday life (Luckmann, 1989). Some scholars view consumption as a meaningful form of civic engagement (Scammell, 2000; Hertz, 2001). In an overview of consumption, Humphrey (1998, p. 7-8) identifies consumption as:

… a potential arena of personal empowerment, cultural subversion, and even political resistance…The 'consumer' was positioned as active, rather than passive, as the 'producer' of usages and meanings that the marketplace may not have assigned to a particular commodity or consumer space, and which potentially undermined or evaded consumerist ideologies.

Another comment which aptly illustrates the growing recognition of the potential power and agency of consumers is from Fiske's summation of 'cathedrals of consumption.' Fiske (1991, p.31) asserts:

… [t]he values of commodities can be transformed by the practices of their users, as can those of language, for as language can have no fixed reference point in a universal reality, neither can commodities have final values fixed in their materiality. The practices of the users of a system not only can exploit its potential, but can modify the system itself. In the practices of consumption the commodity system is exposed to the power of the consumer, for the power of the system is not just top-down, or center-outward, but always two-way, always a flux of conflicting power and resistances.

The above quotations convey a picture that consumers are market actors who have a wealth of power that they can use to demand changes. As market actors, they can force the market to respond to their concerns such as labor practices of companies, production and environmental practices. The role of consumption in shaping market change has led to an understanding of consumer values and concerns and how that might be motivating enlightened consumers to take responsibility to change the dynamics of the system from "what is" to what it "ought to be." In that regard, Halkier and Holm (2008, p.667) note that in the area of food policies, the individual consumer is increasingly called to take responsibility for various types of food issues, such as safety, environmental improvements and ethics—such concerns about food system risks may be prominent in motivating consumer engagement in consumption behavior to influence desired changes. By engaging in consumption as a means to seek changes, consumers take issue with "the means of production"—"those things that make it possible for people to acquire goods and services and for …people to be controlled and exploited as consumers" (Ritzer 2001, p.110 in Neilson & Paxton, 2010, p. 7). In sum, the conscientious consumer can be considered as an actor with the power to change things (Bossy, 2014, p.188), through his/her consumptive decisions.

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CONSUMERS WITH CONSCIENCE

Indeed there is growing evidence from survey research that individual consumers who are conscious of their power can effectively use it to demand desirable changes associated with labor conditions, fair trade global warming, etc.(Adugu, 2014; Stolle & Micheletti, 2013). These conscious consumers apparently have the power and control to change the dynamics of society from perceived "unacceptable and objectionable" practices to "desirable" ones. In that respect, they are motivated to make their consumptive decisions based on ethical values to promote change. This behavior, which is referred to as reflexive or political consumption, suggests the notion of individual responsibility-taking and agency necessary to bring about the desired change in any sphere of society.

In order to promote change in their respective societies, conscientious or political consumers use the marketplace to address social and economic issues by urging others (consumers) to exercise self-reflexivity based on knowledge about the consequences of their consumptive decisions. For example, the online advocacy network, BehindTheLabel.com, put on the following appeal against The Gap, a large clothing chain with stores in several nations: "The Gap uses sweatshop labor, if you buy Gap you do too. Make a difference. Be the generation that stops sweatshops. Tell your family and friends: Don't buy me Gap this holiday season" (Micheletti & Stolle, 2005, p.1). Available survey evidence suggests that a majority of consumers are willing to pay more for products made under good labor standards. According to a study by the Marymount University Center for Ethical Concerns (1999 in Hiscox & Smyth 2007, p. 8), 86% of surveyed individuals in a 1999 US poll said they would be willing to pay $1 more for a $20 garment if it was made under good conditions. Similarly, a survey administered by the Program in International Policy Attitudes (PIPA) at the University of Maryland in 1999 found 76% of respondents indicated that they were willing to pay $25 for a $20 garment that was certified as not being made in a sweatshop (PIPA, 2000 in Hiscox & Smyth 2007).

The above consumer behaviors fit into the conceptualizations of political consumption over the years. In the view of Webster (1975), a political consumer is an individual who takes into account the public consequences of his or her private consumption or who attempts to use his or her purchasing power to bring about change. Political consumers use their knowledge, buying and organizing power to demand certain changes (Dixon, 2003). For Micheletti, Follesdal and Stolle (2006), political consumption is buying or boycotting of products or services based on political or ethical values and with a motive for change. It is normally an individualized form of consumption (Baumann, Engman & Johnston, 2015).

Consequently, political consumption can be considered as a distinct form of market behavior with change motives, which is undertaken by consumers to reflect their attitudes toward pertinent social, economic and political issues such as fair business practices and environmentally sustainable methods of production. Most scholarship on political consumption is primarily focused on post-industrialized consumers and corresponding organizational settings; and even where scholars turned their attention to the phenomenon in the developing world, they did so with respect to how the later is affected by environmental and human rights generated from consumption activities of post-industrialized nations (Stolle & Micheletti, 2013). Even though there is a growing literature on political consumption, it lacks a more nuanced examination of specific forms of the phenomenon (Neilson, 2010); and also understanding the phenomenon in the context of developing countries using survey data is virtually non-existent. There is therefore the need to direct attention at examining the phenomenon in developing nations, especially those in Africa. This book chapter specifically examines the correlates of boycott as a form of political consumption in Africa.

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IMPORTANCE OF UNDERSTANDING CONSUMER BOYCOTT AS A FORM OF INFLUENCING PUBLIC POLICY

The emergence of political consumption manifests in the growing recognition, potential power and agency of consumers to influence a fair and moral marketplace and ultimately stimulating desirable change. Dickson (2000) found that societal values influenced consumers' concerns about responsible business practices. He further noted that consumers who had socially centered values are more likely to have positive attitudes towards socially responsible business practices. Using the Schwartz value system, this book chapter examines the personal values of consumers in relation to their engagement in the behavior of boycott in the developing world. The values of consumers are useful in explaining and understanding their behavior because they (values) are stable over time and play a central role their cognitive structures (Brangule-Vlagsma, Pieters, & Wedel, 2002). Consumers' values further influence and shape their attitude and behavior toward issues (Homer & Kahle, 1998). In the context of African countries, there are virtually no studies that explore the relationship between engagement in boycott behavior and an individual's value systems such as conformity, universalism, power, self-direction, tradition and related variables. The chapter also investigates the role of attitudinal variables such as: media use, gender equality, institutional confidence, social network, interest in politics, life satisfaction, autonomy, generalized trust, world citizenship, local community embeddedness. An inquiry into consumer agency will help understand how Schwartz values, attitudinal and socio-demographic correlates shape consumer engagement in the specific political consumption behavior of boycott, specifically in Africa. Knowing the correlates of boycott will be useful in crafting effective media strategies in reaching out to consumers with certain values, attitudes and socio-demographics who engage in boycott action.

DATA AND MEASUREMENT OF VARIABLES

This book chapter proposal fills the gap in the literature by focusing on boycott as a form of political consumption utilized in developing countries using Wave 6 of the World Values Survey. The World Values Survey is a global research that explores individuals' values and beliefs over time with respect social, economic and political issues based on representative national surveys, conducted in almost 100 countries. This chapter is based on World Values Survey data from the following African countries: South Africa, Nigeria, Ghana, Rwanda, Zimbabwe, Libya, Egypt, Morocco and Tunisia. The independent variables measured are categorized as follows: socio-demographics, media use, gender equality, institutional confidence, social network membership, interest in politics, autonomy, generalized trust, life-satisfaction, world citizenship, local community perception; and Schwartz value systems. The dependent variable is engagement in boycott action/behavior.

Socio-Demographics

Socio-demographics variables collected include gender, age, level of education and income. Research suggests that women are more inclined to engage in political consumption than men and this idea has become a well-integrated part of women's political action repertoire (Inglehart & Norris, 2003; Lowndes, 2004; Stolle, Hooghe, & Micheletti, 2005). In order to investigate this claim, gender was treated as a

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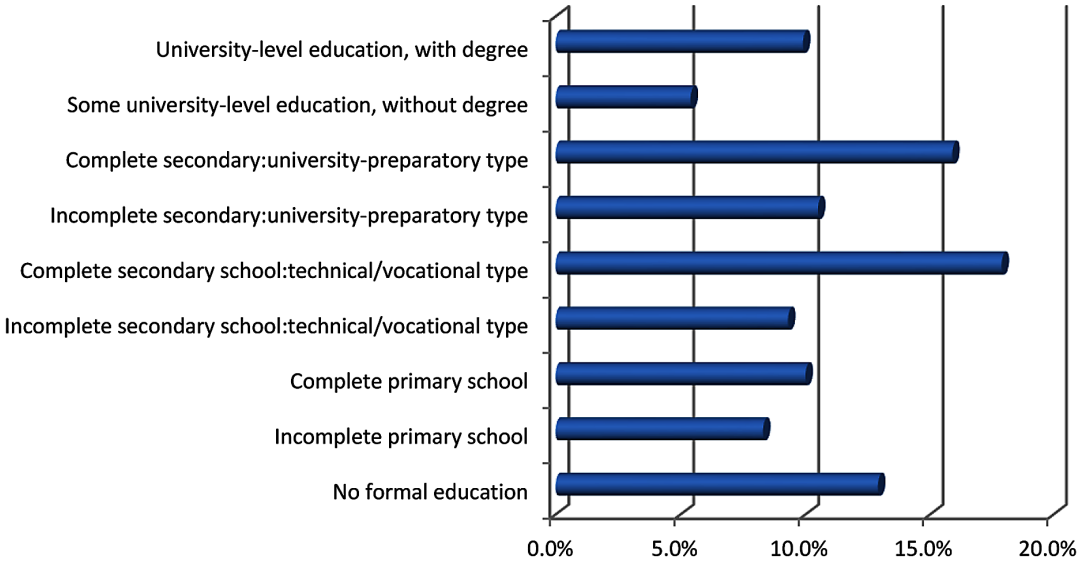
dichotomous variable (female coded 1 and male coded zero). In the sample of about 15928, 49.1% were male (coded 1 and recoded 0), and 50.1% female (coded 2 and recoded 1).

There are generational differences regarding those who engage in political behavior. Younger people are anticipated to be more engaged in political consumption while conventional political behavior may be favored by older people (Stolle & Micheletti, 2013). Majority (34.3%) of the respondents were X-generation (26-37 years) followed by dot-com generation (15-25 years) with 29.4%.

Education is the prime factor in most analysis of political behavior because it fosters political engagement (Verba, Schlozman, & Brady, 1995). Both conventional political behavior and political consumption have been found to be strongly determined by the level of education (Goul & Tobiasen in Micheletti et al., 2006; Verba et al, 1995, Peterson, 1990). For example, education may impart the knowledge that is necessary for the assessment of product labels or political events which may trigger boycotts, petition drives, etc. (Stolle, Hooghe, & Micheletti, 2005). Education may influence people's cultural capital. People with high cultural capital may have increased critical thinking skills and access to information, which makes them better critical thinkers in a post-industrial society (Eckersley, 1989). In effect, educated people are more likely to be informed and interested in political engagement. Figure 1 shows the levels of education of respondents. More than 50% of them have at least secondary school or technical/vocational level of education.

Similar to education, those with high incomes are anticipated to engage in political action (Verba et al., 1995)—in this context, boycott. This may not always be the case since people do not necessarily need money to engage in political behavior. However, there is a notion that engagement in political consumption may be within the reach of those who are relatively well off (Stolle, Hooghe, & Micheletti, 2005). In that regard, a scale of 1 to 10 (1 coded lowest group and 10 coded highest group) representing income brackets as measured in the country was provided for respondents to specify what was appropriate to them (Median=5, M=4.9, SD=2.2). With respect to social class, respondents were asked to describe the social

Figure 1. Level of education of respondents



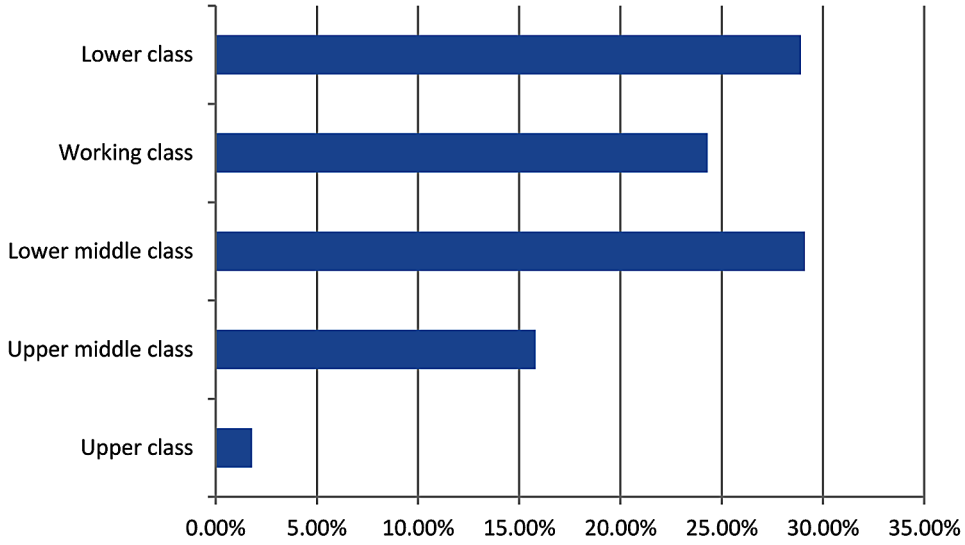
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class they belong, with upper class (coded 5), upper middle class (coded 2), lower middle class (coded 3), working class (coded 4) and lower class (coded 5). The response options were then reverse coded such that greater values relate to upper class and lower values are associated with the lower class. The distribution is shown in Figure 2. About 56% of respondents were in the lower and lower middle classes.

Media Use

People use different media sources to learn about what is going on in society. Exposure to the news media will facilitate stronger levels of civic knowledge (Norris, 2012). In that regard, the media is thought to shape people's beliefs about appropriate behavior and practices in the public sphere. For example, through the media, people may become enlightened in relation to income inequality, attitudes towards appropriate division of sex roles for men and women in the home, government responsibility, etc. and further urge them to take responsibility in order to seek improvements. In order to determine the communication behavior of respondents, they were asked a series of questions regarding sources of information on what is going on in the country and the world. The media sources are: daily newspaper, printed magazines, TV news, radio news, mobile phone, e-mail, Internet, talk with friends or colleagues. The results are presented in Table 1, summarizing respondents' media usage. Response categories were: daily, weekly, monthly, less than monthly and never coded as 1, 2, 3, 4 and 5 respectively. These responses were reverse coded so that higher values reflect higher frequency of use of a particular information source. Following Norris (2011), an eight item summated scale (alpha reliability=0.76) of media use was constructed for purposes of bi-variate and multivariate analyses. The results are presented in Table 1. Radio news and television are used quite frequently (daily/weekly) whereas for new media, mobile phone is used quite frequently (daily/weekly). Talk with friends and colleagues is also relatively high apparently due to the general connectedness of communities in developing countries.

Figure 2. Social class of respondents



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Table 1. Results of factor analysis for media use

Scale/Indicators	Factor Loading
Alpha reliability=0. 76	
Daily newspaper (M=2.5, SD=1.6)	.65
Radio news (M=3.9, SD=1.5)	.35
Television news (M=4.2, SD=1.3)	.41
Printed magazines (M=2.0, SD=1.2)	.71
E-mail (M=2.0, SD=1.5)	.80
Internet (M=2.2, SD=1.6)	.77
Talk with friends and colleagues (M=3.9, 1.5) Mobile phone (M=3.2, SD=1.7)	.40 .63

Extraction Method: Maximum Likelihood.

Social Network Membership

Membership in social associations/organizations or movements may equip people with the knowledge and needed skills to effectively address their discontent about social issues and public policy (Adugu & Ampadu-Ameyaw, 2014, p. 42). Embeddedness (membership) in social organizations or movements may help citizens learn how to take action in order to address their discontents in society. In addition to that, embeddedness in social networks may also teach people how to frame social issues in order to recruit others into their cause to influence social change. A measure of group membership may offer some insight into its role in engagement in boycott as a form of political consumption with motives for social change. In that context, social network membership is expected to have significant effects on engagement in boycott behavior. The membership of social organization variable is a respondent's total participation in various types of associations: church or religious organization; sport or recreational organization; art, music or educational organization; labor union; political party; environmental organization; professional association; humanitarian or charitable organization; consumer organization; and self-help/mutual aid group. Respondents were asked whether they are an active member (coded 2), an inactive member (coded 1) or not a member (coded 0) of the afore-mentioned organizations. For logistic regression purposes, active member and inactive member were recoded as 1, and not a member remains coded as 0. Following Norris and Inglehart (2009), a ten item summated scale (alpha reliability=0.96) of social network embeddedness was constructed for purposes of bi- and multivariate analyses. The results are presented in Table 2.

Gender Equality

Historical studies reveal that women have used the market to express their dissatisfaction with the price and quality of foods in the United States and Europe and organized consumer groups in their communities to fight high food prices and other economic injustices (Orleck, 1993; Young, 1994). As a result of socialization, the higher involvement of women with consumer goods relative to men influences them to be much more engaged in political consumption. The socialization perspective predicts that the gender gap will disappear once men assume responsibility for day-to-day family life (Micheletti et al., 2006).

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Table 2. Social network embeddedness

Scale/Indicators (Alpha Reliability=.91)	Factor Loading
Church or religious organization	.51
Sport or recreational organization	.72
Art, music or educational organization	.76
Labor union	.77
Political party	.66
Environmental organization	.81
Professional association	.81
Humanitarian or charitable organization	.81
Consumer organization	.83
Self-help, mutual aid group	.78

Extraction Method: Maximum Likelihood.

Another perspective on gender and engagement in political consumption behavior is known as situational perspective. The situational perspective says that more women participate in political consumption because they are concerned about the effects of consumer goods on their families and mankind (Deveaux, 1995). In that regard Davidson and Freudenburg (1996, p. 328) note that "women appear to care more about the potentially serious and often empirically underdetermined threats to the health and safety of their communities and families." This view is supported by the grape boycott in the 1960s as a result of women's perceived risks associated with the product. There was a boycott of grapes when consumers learned that pesticides used in grapes were hazardous to families and the farm workers (Micheletti et al., 2006). In that context and following Norris and Inglehart (2009), scale of gender equality (alpha reliability=.73) was constructed based on the following 5 items: When mother works for pay, the children suffer; on the whole, men make better political; university education is more important for a boy than for a girl; on the whole, men make better business executives than women do; being a housewife is just as fulfilling as working for a pay. The response options were strongly agree (coded 1), agree (coded 2), disagree (coded 3), and strongly disagree (coded 4). The results are shown in Table 3.

Table 3. Gender equality scale

Scale/Indicators (Alpha Reliability=.73)	Factor Loading
When mother works for pay, the children suffer (M=2.6,SD=.99)	.62
On the whole, men make better political (M=3.0, SD=.76)	.76
A university education is more important for a boy than for a girl (M=2.2, SD=1.0)	.65
On the whole, men make better business executives than women do (M=2.7, 1.1)	.80
Being a housewife is just as fulfilling as working for a pay (M=2.7, SD=1.0)	.62

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Institutional Confidence (External Efficacy)

Peterson (1990, p.20) defines political efficacy as the belief by a person that he or she is capable of affecting politics (internal efficacy) and that the political system is responsive to him or her (external efficacy). External efficacy is concerned with political institutions' responsiveness to citizens' actions (Sullivan & Riedel, 2001). Citizens' trust in government institutions (external efficacy) is a reflection of government's responsiveness to the demands that citizens make through conventional political action. Rosenstone and Hansen (1993, p. 143) asserted that social networks and trust "help to overcome the constant suspicion that participation is hopeless" and thereby are measures of external efficacy. In their discussion of why Danish citizens engage in political consumption, Halkier and Holm (2004, p. 19) note that lack of trust has led to individual strategies for securing what is believed to be safe food stuff, with the two most favored consumer strategies being to buy organic and to buy Danish products. Engagement in political consumption behavior of boycott may be a manifestation of distrust of conventional political action in addressing the concerns of citizens in post-industrialized societies (Micheletti, 2003; Stolle et al., 2005; Norris, 2002). Consistent with Norris, 2011), a ten item summated scale of institutional confidence was constructed (Alpha reliability=. 87). Respondents were asked to indicate how much confidence they have in a number of institutions. The response options were: a great deal (coded 1), quite a lot (coded 2), not very much (coded 3), none at all (coded 4). The responses were then reverse coded so that greater values are associated with greater levels of confidence in institutions. The final scale ranges from 10 to 40. The individual descriptive statistics are shown in Table 4. The average response pattern to the individual items tended towards the midpoint of each item. Armed forces, police and the courts had greater levels of confidence.

Generalized trust was measured by asking respondents "Do you think that most people would try to take advantage of you if they got the chance, or would they try to be fair? (0=most people would try to take advantage of me, 10=most people would try to be fair). The mean is 5.5, indicating that average individuals thought that people would be moderately fair to them and not take advantage of them.

Table 4. Institutional confidence

	Mean	Min	Max	SD
The Press	2.4	1	4	.92
Television	2.6	1	4	.97
Government	2.4	1	4	.99
Political parties	2.1	1	4	.93
Parliament	2.2	1	4	.97
Courts	2.6	1	4	.97
Civil service	2.5	1	4	.93
Labor unions	2.3	1	4	.94
Police	2.6	1	4	.98
Armed forces	2.8	1	4	.95
Institutional Confidence Scale (Alpha reliability=.87)	24.6	10	40	6.6

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Schwartz Values

Schwartz (1992, 1994) developed a theory of human values and different instruments for measuring these values. The theory identifies ten basic personal values that are recognized across cultures. Schwartz's theory enables the systematic study of relationships between human values and constructs such as self-reported behavior, which can be related to consumer engagement in boycott action. The theory has been empirically validated in at least 65 countries across the globe (Schwartz, 2003). Table 5 shows the items that represent each of the Schwartz value types—ten value items and the corresponding indicators and categories. The main categories/dimensions are: conservation, openness to change, self-enhancement and self-transcendence. According to Schwartz, self-enhancement and self-transcendence describe the tension between self-improvement or pursuit for self-interest even at the expense of others and promoting the welfare of others or society. As shown in Table 5, power, achievement and hedonism value types align with the self-enhancement categories whereas benevolence and universalism align with self-transcendence. Similarly, the value types pertaining to conservatism are security, tradition and conformity.

Five items from Schwartz value system which are of much relevance to consumer motivations were used in order to explore the relationship between consumers' personal values and engagement in boycott. These items were: 1. It is important to this person to think up new ideas; to do things one's own way, 2. It is important to this person to be rich; to have a lot of money and expensive things, 3. It is important to this person to do something for the good of society, 4. Adventure and taking risks are important to this person; to have an exciting life, and 5. Tradition is important to this person; to follow customs handed down by one's religion or family. For each of the descriptions, respondents were asked to indicate whether that person is very much like you (coded 1), like you (coded 2), somewhat like you (coded 3), a little like you (coded 4), not like you (coded 5), or not at all like you (coded 6). The descriptive statistics of the individual Schwartz value items are shown in Table 6. Most of the respondents indicated that the descriptions fit in between a "person like them and somewhat like them."

Table 5. Schwartz value items and indicators

Indicators	Values	Categories
Living in secure surroundings is important to this person; to avoid anything that might be dangerous	Security	Conservation
Tradition is important to this person; to follow the customs handed down by one's religion or family	Tradition	
It is important to this person to behave properly, to avoid doing anything people would say is wrong	Conformity	
It is important to this person to think up new ideas and be creative; to do things one's own way	Self-direction	Openness to change
Adventure and taking risks are important to this person; to have an exciting life	Stimulation	
It is important to this person to have a good time, to "spoil" oneself	Hedonism	Self-enhancement
It is important to this person to be rich; to have lots of money and expensive things	Power	
Being successful is important to this person; to have people recognize one's achievements	Achievement	
It is important to this person to help the people nearby; to care for their well-being	Benevolence	Self-transcendence
Looking after the environment is important to this person; to care for nature	Universalism	

Shwartz, 1992, 1994.

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Table 6. Descriptive statistics of Schwartz values

	Mean	Minimum	Maximum	SD
It is important to this person to think up new ideas; to do things one's own way	2.44	1	6	1.35
It is important to this person to be rich; to have a lot of money and expensive things	3.10	1	6	1.53
It is important to this person to do something for the good of society	2.28	1	6	1.19
Adventure and taking risks are important to this person; to have an exciting life	3.17	1	6	1.58
Tradition is important to this person; to follow customs handed down by one's religion or family	2.29	1	6	1.33

Interest in Politics, Life-Satisfaction, Autonomy, World Citizenship, and Local Community Embeddedness

Campbell, Gurin and Miller (1954, p. 187) define political efficacy "as the feeling that an individual political action does have, or can have an impact on the political process. It is the feeling that political and social change is possible and that the individual citizen can play a part in bringing about this change." This conceptualization of political efficacy focuses only on internal efficacy. Political interest may influence engagement in boycott due to the fact that the decision to boycott or not requires knowledge and interest in the issue or cause to which the product is associated (Adugu, 2014; Sandovici & Davis, 2010). Using Campbell and colleagues' conceptualization, respondents were asked questions in relation to interest in politics. Interest in politics was measured on a 4-point scale with 4 coded as not interested and 1 coded as very interested. The responses were then reverse coded so that higher values were associated with greater interest in politics. Descriptive statistics associated with respondents' political activity is presented in Table 7. Apparently, the sample average with respect to interest in politics tended toward "middle of the road."

Measures of satisfaction/dissatisfaction with life have been linked to political participation such as boycott. Barnes and Kaase (1979) showed that satisfaction/dissatisfaction with life may shape increased protest potential. Boycotting can be considered as a form of protest. It is in that connection that Sandovici and Davis (2010) found out that people who are dissatisfied with the economy are more likely to boycott products than those who are satisfied. Measurement for satisfaction consisted of the following question: "All things considered, how satisfied are you with your life as whole these days?" The answers were coded 0 to 10, with 0 indicating completely dissatisfied and 10 indicating completely satisfied. The responses were standardized to 100 points. The mean is 62.3, indicating that average individuals are moderately satisfied with their lives.

Consumers' global and national identities may influence their engagement in political consumption, specifically in this case, boycott. There are notable examples where purchasing decisions are used to advance changes in the market and/or society. For example, in Sweden, political consumers have acted out of concern about human rights, labor rights, environmental protection, issues of globalization and gender equality. It is interesting to note that the political consumption movement has generated such awareness that Sweden require labels on groceries, paper for school, shoes, soaps, etc. to ensure that companies' mode of production and the source are adequately communicated to concerned consumers (Micheletti, 2003, p.121-122). Such developments have successfully pressured governments and mul-

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tinational corporations (with markets in Sweden) to adopt ethical business practices and other values consistent with those demanded by Swedish civil society.

Consumers global and national identities were measured by three variables: autonomy, world citizenship and local community embeddedness. Respondents were asked the following questions to measure autonomy, world citizenship and local community embeddedness respectively: I see myself as an autonomous individual, I see myself as a world citizen, and I see myself as a member of my local community. The response options ranged from strongly agree (coded 1) and strongly disagree (coded 4). They were reverse coded so that higher values were associated with greater levels of global and national identities. The results are shown in Table 7. The means for being world citizen and local community embeddedness were more than 3, indicating that average individuals agreed that they were world citizens, and also embedded in local community.

Engagement in Boycott

In this book chapter, political consumption is conceptualized as an individualized action with the goal of directly influencing public affairs based on the belief that such an action may lead to desirable changes. Boycott, as a form of political consumption is an innovative way being used by citizens to directly express their attitudes, interests and concerns with the ultimate goal of influencing public affairs. Boycott is a deliberate consumer choice not to purchase (Stolle et al., 2005). Boycotting is punishing businesses for unfavorable behavior (Neilson, 2010). Boycotts are often favored by activist groups as a protest strategy, often targeting single businesses (Friedman, 1996). Thus consistent with the political efficacy perspective, citizens may engage in boycott due to the belief that their actions will influence public affairs. Engagement in boycott was used as the dependent variable in this book chapter. Boycott was measured by asking respondents whether they have done it (coded 1), might do it (coded 2), or would never do it (coded 3) under any circumstances. The response options "have done and might do" were both recoded as 1, whereas "would never do" was recoded as 0 for analytical purposes. Based on an effective sample size of 14851, 27% fell into the category comprising those "have done and might do" (engagement in boycott), and 73% into the category of "would never do."

ANALYSES

The results of bi-variate and multivariate analyses of correlates of boycott action as a form of consumption are reported as follows: The first part of the analysis reports the bi-variate relationships (correlations)

Table 7. Descriptive statistics associated with interest in politics, life-satisfaction, autonomy, world citizenship, and local community embeddedness

	Mean	Minimum	Maximum	SD
Interest in politics	2.5	1	4	1.0
Life-satisfaction	62.3	10	100	24.8
Autonomy	2.0	1	4	.99
World citizenship	3.1	1	4	.94
Local community embeddedness	3.4	1	4	.66

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between the dependent and independent variables. Spearman's rho correlation was used. Spearman's rho correlation is the appropriate statistic to use in cases where one variable is categorical or dichotomous and the other is an ordinal, interval or ratio scale and also where both variables are categorical (Chen & Popovich, 2002); Cohen & Cohen, 2003). The second part presents binary logistic regression analyses.

Bi-Variate Analyses

The following bi-variate analyses are reported: relationship between engagement in boycott and level of education, age, income, gender and social class; relationship between engagement in boycott and media use, gender equality, institutional confidence, and social network membership scales; relationship between engagement in boycott and interest in politics, life satisfaction, self-autonomy, generalized trust, seeing oneself as world citizen, and seeing oneself as part of the local community; relationship between engagement in boycott and Schwartz values.

Relationship Between Engagement in Boycott, Socio-Demographics, Media Use, Institutional Confidence, Social Network, Interest in Politics, Schwartz Values and Other Variables

Table 8 shows the correlation between engagement in boycott, socio-demographic variables, media use, gender equality, institutional confidence, social network, interest in politics, life satisfaction, autonomy, generalized trust, world citizenship, local community embeddedness and Schwartz values. Findings show a positive correlation between engagement in boycott and level of education and income. On the other hand, being young and female are negatively associated with engagement in boycott. Media use, institutional confidence and social network membership have positive correlation with engagement in boycott. Similarly, interest in politics, life satisfaction and seeing oneself as a world citizen are also positively correlated with engagement in boycott. With respect to Schwartz values, importance of tradition and doing something for the good of society are positively correlated with boycotting.

It is worthy of note that even though all the above correlations between boycott and the variables are significant, the coefficients are weak. This means that the degrees of association between the variables are weak. It is important to go beyond simple correlations and examine how the relationships hold when relevant measures that shape boycott action are included simultaneously—using binary logistic regression.

Multivariate Analyses

In order to examine the characteristics of individuals who engage in boycott, a binary logistic regression model was performed. The results assessing relationships between engagement in boycott (dependent variable) and the independent variables—socio-demographics, media use, gender equality, institutional confidence, social network, interest in politics, life satisfaction, autonomy, generalized trust, world citizenship, local community embeddedness and Schwartz values are shown in Table 9. Based on the Hosmer and Lemeshow Goodness of Fit Test for binary logistic regression, the model is well-fitting. Models that are well-fitting show non-significance ($p>.05$) on the Hosmer and Lemeshow Goodness-of-Fit Test, indicating model prediction is not significantly different from observed values (Hosmer & Lemeshow, 2000; Menard, 2002; Norusis, 2008).

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Table 8. Relationship between engagement in boycott, socio-demographics, media use, institutional confidence, social network, interest in politics, Schwartz values and other variables

	Engagement in Boycott		**Engagement in Boycott**		**Engagement in Boycott**		**Engagement in Boycott**
Level of education	.16**	Media use scale	.17**	Interest in politics	.17**	It is important to this person to think up new ideas; to do things one's own way	-.04**
Income	.09**	Gender equality scale	-.00	Life satisfaction	.04**	It is important to this person to be rich; to have a lot of money and expensive things	-.06**
Social class	-.00	Institutional confidence scale	.10**	Seeing oneself as autonomous individual	-.01	It is important to this person to do something for the good of society	.04**
Gender	-.08**	Social network membership scale	.21**	Generalized trust	.02**	Adventure and taking risks are important to this person; to have an exciting life	-.06**
Age	-.06**			Seeing oneself as world citizen	.02*	Tradition is important to this person; to follow customs handed down by one's religion or family	.09**
				Seeing oneself as part of local community	-.05**		

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

*Correlation significant at the 0.05 level (2-tailed).

The coefficient of education is .089. This means that when level of education changes from 0 to 1, and the values of other independent variables are held constant, the log odds of engagement in boycott increase by .089. The corresponding odd ratio of 1.093 suggests that for a unit increase in level of education, the odds of engagement in boycott are 1.093 times higher. On the other hand, engagement in boycott is negatively associated with social class. For a unit increase in social class, the odds of engagement on boycott are .89 less likely. Similarly, the odds of engagement in boycott are less likely for women (reference category female=1 in model).

For a unit increase in political interest and social network, the odds of engagement in boycott are 1.4 and 1.3 times respectively. Media usage, seeing oneself as a world citizen, seeing oneself as embedded in local community, perception of gender equality and institutional confidence are all positively associated with engagement in boycott. With respect to Schwartz values, importance of doing something for the good of society, and importance of traditions are positively associated with engagement in boycott. On the other hand, importance of riches is negatively associated with engagement in boycott.

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Table 9. Logistic regression of boycott engagement

Independent Variable	B (S.E.)	Odds Ratio
Gender	-.287 (.045)	.751***
Age	.037 (.024)	1.038
Education	.089 (.012)	1.093***
Income	.040 (.013)	1.041
Social class	-.116 (.023)	.890**
Media usage	.019 (.004)	1.019***
World citizenship	.131 (.029)	1.140***
Local community embeddedness	.092 (.036)	1.096*
Gender equality	.015 (.007)	1.015*
Institutional confidence	.025 (.004)	1.026***
Social network	.290 (.064)	1.336***
Autonomy	.005 (.024)	1.005
Political interest	.354 (.023)	1.424***
Generalized trust	-.004 (.009)	.996
Life-satisfaction	-.003 (.001)	.997*
Importance of new ideas	.035 (.020)	1.035
Importance of riches	-.045 (.017)	.956*
Importance of doing good	.076 (.020)	1.079***
Importance of adventure	.006 (.016)	1.006
Importance of traditions	.058 (.017)	1.059**
Constant	-4.084 (.227)	.017*
-2 log likelihood	12591.442	
Hosmer & Lemeshow Goodness-of-Fit Test	.869	
N	15928	

Significance for coefficients: *p<.05; **p<.01; p<.001.

DISCUSSION OF FINDINGS/EVIDENCE

Based on the logistic regression analyses, the following variables are significantly associated with engagement in boycott action: level of education, gender, social class, media usage, gender equality, institutional confidence, social network, interest in politics, life satisfaction, seeing oneself as being part of world citizenship, seeing oneself as being embedded in local community, importance of doing something for the good of society, importance of traditions, and importance of riches. Such findings suggest that engagement in boycott action is shaped by socio-demographics, attitudinal measures and Schwartz values.

Education is the prime factor in most analysis of political consumption behavior. Both conventional and political action and political consumption are strongly determined by level of education (Verba et. al, 1995; Peterson, 1990; Micheletti et. al, 2006). Evidence from the data shows that the higher the level of education of an individual, the more likely s/he will engage in boycott action. This is due to the fact that education facilitates enlightenment. In that context, education is a cultural resource that deeply af-

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fects people's world view (Waal, Achterberg & Houtman, 2007). It can be argued that people with high cultural capital acquired through education may have increased critical thinking skills and access to information—which would ultimately promote individual responsibility-taking by engaging in boycott action. As Sandovic & Davis (2010, p.349) aptly noted: "educated individuals will know more about politics and its connection to the market. Likewise, they will be more resourceful in finding alternatives to companies they wish to avoid. And efficacious individuals will believe their choice to boycott will actually make a difference." In other words, through boycott action, educated individuals are demanding changes. This notion is consistent with the conceptualization of political consumption by most scholars who view it as buying or boycotting of products or services based on political or ethical values with change motives (Micheletti & Follesda, 2006; Neilson, 2010; Stromsnes, 2009; Neilson & Paxton, 2010; Stolle & Micheletti, 2013).

Individuals in low social classes are more likely to engage in boycott action. This may be due to their concerns about the effects of consumer goods on their families. This claim is due to the fact that people tend to engage in boycott in order to address issues that hit home. This is contrary to what pertains in post-industrialized nations where the phenomenon is associated with people of high income and social class. It means that in Africa, engagement in boycott action is not limited to people with greater levels of education. Thus consistent with the conceptualization of political consumption, people in the lower social class are also concerned about affairs in society, prompting them to engage in boycott action to bring about social and economic change.

The odds of engagement in boycott are less likely for women. In other words, based on the data set, men are more likely to engage in boycott action. This finding is inconsistent with the literature on boycott in post-industrialized countries such as the United States and most European countries, where women are more likely to engage in boycott as a form of civic engagement (Abramson, 1999; Stolle & Micheletti, 2013). In that context, women may be considered to be more interested in boycott than men. In Africa, even though women are socialized to be much more involved with consumer goods relative to men, they are less likely to engage in boycott probably due to the fact that in most households, men also assume responsibility for day-to-day family life. This claim merits further investigation.

Evidence from the data shows that individuals' media usage is positively associated with engagement in boycott. This may be due to the fact that exposure to the media facilitates stronger levels of civic engagement (Norris, 2012); and brings enlightenment to people regarding pertinent issues such as businesses' use of sweatshops in the process of production. Thus similar to education, exposure to the media enhances enlightenment and fosters engagement in boycott action.

The odds of engagement in boycott increases with membership in social networks. This is probably due to the learning function with respect to membership of social networks. Embeddedness in social network may teach people how to frame pertinent public issues in order to be able to gain and motivate sympathizers into their cause to influence desirable change. In that regard Holzer (2006) noted that social networks can mobilize people to boycott products. This suggests that social networks are capable of providing signals targeted at companies or products at the market place with the ultimate goal of influencing changes.

Similar to membership to social networks, the odds of engagement in boycott action are more likely with individuals who have political interest. When people feel that their individual political actions do have or can have an impact on the political process, they may take interest in politics. This interest may be a manifestation of individuals' beliefs about the impact that they can have on public affairs. Therefore political interest influences engagement in boycott due to the fact that the decision to boycott requires

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interest in the issue or cause motivating the action. In that respect, Sandovici and Davis (2010) noted that people must take interest in political issues in order to avoid products or companies for political reasons. In essence, people who engage in boycott are those who have political interest and the belief that they have the power to change things (through boycott action).

Institutional confidence (external efficacy) relates to the responsiveness of political institutions to citizens' actions and a reflection of government's responsiveness to citizens. Evidence from the data shows that institutional confidence is positively associated with engagement in boycott action. This suggests people have the belief that political institutions are capable of changing the dynamics of the system from "what is" to "what it ought to be." This finding is contrary to the literature in post-industrialized countries where engagement in boycott is associated with lack of confidence in institutions (Stolle & Micheletti, 2013). In such cases, boycotts are alternative means of setting new agenda for public policy. In the case of Africa, its people currently have trust in institutions and their engagement in boycott could be a demonstration of long-held notion that government institutions are a panacea to all their challenges—and would therefore appropriately respond via boycott actions. This claim needs further investigation since data used is limited.

Engagement in boycott is negatively associated with life-satisfaction. In other words, those who are dissatisfied with their lives as a whole are more likely to engage in boycott action as a form of protest. In essence, dissatisfied people are more likely to engage in boycott.

People's perception of gender equality is positively associated with boycott action. It follows that people are more likely to engage in boycott when they have an attitude that men and women roles are complementary. This finding is interesting given the fact that in most traditional African communities, the notion of gender equality is not encouraged especially among the less educated. Examining the data used, about 50% of the sample had at least technical/vocational type of education. This might have enhanced their understanding of and appreciation of gender roles.

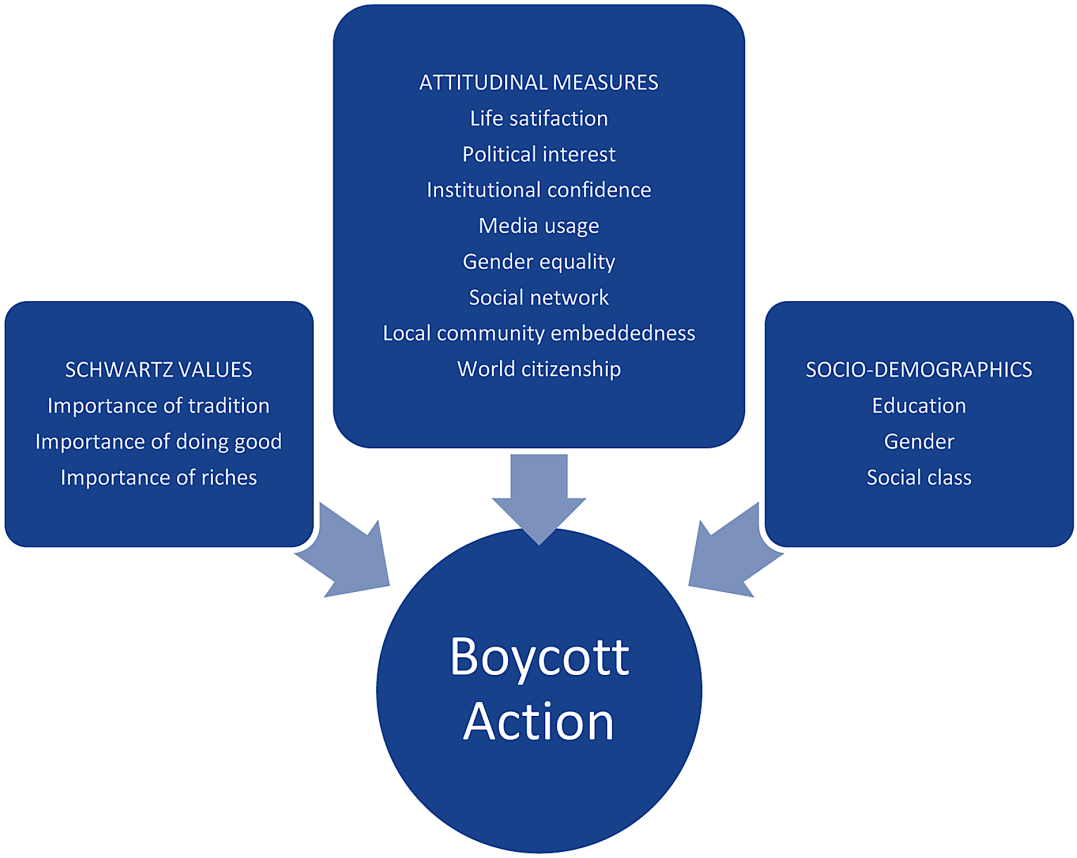
When people see themselves as being world citizens and embedded in local community, they are more likely to engage in boycott. For that matter, engagement in boycott may be done with the intention to preserve the local community and promote the well-being of others that people consider to be part and parcel of them. In essence, people who are "other-centered" are more likely to engage in boycott action. With respect to Schwartz values, importance of tradition or following customs handed down by one's religion; and doing something for the good of society are positively associated with boycotting. On the other hand, importance of riches or expensive things is negatively associated with engagement in boycott. Thus people who have socially centered values are likely to engage in boycott action. This further reinforces the comment that people who are "other-centered" are likely to engage in boycott.

CONCLUSION

Based on the above discussion, the following typology was developed to show the correlates boycott action in Africa. In that context, engagement in boycott action in Africa is determined by socio-demographics, attitudinal measure and three of Schwartz's values. The typology is depicted in Figure 3. It follows that engagement in boycott action in Africa is shaped by attitudinal variables (such as life satisfaction, political interest, embeddedness in social network, etc.), Schwartz values (specifically, importance of tradition, riches, and doing good), and socio-demographics (education, gender and social class). Thus engagement in boycott action in Africa is a complicated phenomenon that cannot be clearly understood

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Figure 3. A typology of boycott action in Africa



from a single perspective. In order to theorize about consumer boycott behavior at least in the case of Africa, scholars need to approach it from a multidimensional perspective. Good business and policy decisions must be informed by an understanding of the nature of consumers. This multidimensional nature of consumer behavior provides and important insight for businesses and policy makers to be able to effectively respond to their (consumers) needs.

In essence, this book chapter has demonstrated that the correlates of engaging in boycott action in Africa are: level of education, gender, social class, media usage, gender equality, institutional confidence, social network, interest in politics, life satisfaction, seeing oneself as being part of world citizenship, seeing oneself as being embedded in local community, importance of doing something for the good of society, importance of traditions, and importance of riches.

Policy Implications

Consumption is a form of civic engagement being used in the marketplace to elicit desirable changes. Engagement in boycott action in Africa is shaped by attitudinal variables, Schwartz values, and socio-demographics. Policy makers and businesses can tap into consumer attitudes, values and socio-demographics to design relevant policies and products. Knowing these correlates of boycott are useful

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in crafting effective media strategies in reaching out to consumers with certain values, attitudes and socio-demographics. For example, an effective media campaign for the promotion of particular "product brands" that are being boycotted could be targeted at those with the following demographics and attitudes and values: educated, male, interest in politics, embedded in social network, and "other-oriented."

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KEY TERMS AND DEFINITIONS

Boycott: Punishing businesses for unfavorable behavior or a deliberate consumer choice not to purchase.

Political Consumption: An individualized action with the goal of directly influencing public affairs based on the belief that such an action may lead to desirable changes.

Political Efficacy: The feeling that political and social change is possible and that the individual citizen can play a part in bringing about this change.

Schwartz Values: Basic personal standards of behavior that are recognized across cultures, comprising the following main categories/dimensions: conservation, openness to change, self-enhancement and self-transcendence.

Social Change: A substantive alteration in structures, institutions, values and behaviors of society over a period of time.

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Chapter 85
E-Government for Rural Development in Tanzania: As Reviewed

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ABSTRACT

This chapter presents the importance of developing rural areas with an emphasis on good governance and poverty alleviation through the use of electronic government in Tanzania. With such concern, the authors show that rural areas are as significant as the economy of most of the developing countries, including Tanzania. As such, putting sufficient efforts on rural development is unavoidable for rapid development. Further, the authors note how Tanzania improves its rural areas through the use of e-government, but efforts are constrained by the existence of poor Information Communication Technology service providers, ineffective policy, and unreliability of rural electricity. In order to address such shortfalls, the authors propose several solutions that could motivate the increase in the use of rural e-government and revise rural development policy.

THEORETICAL BACKGROUND

Most of the populations' livelihoods in African countries including Tanzania depend heavily on the rural economy. In Tanzania, for example, about 85% of its population lives in rural areas and the economy of the nation mostly derived from rural comes with the proportions of 85%, 25% and 65% as employing active labor force, foreign earnings and source of industrial inputs respectively (Hella, Haug, and Kamile, 2011; Kisusu, Turuka, Mdoe, and Mlambiti, 1999; Kisusu, Mlowosa, and Mathias, 2010; URT, 2010).

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Such proportions justify how rural development would contribute significantly in reducing poverty if given a priority. However, the experience shows that good governance is the predominant condition which could influence the possibility of reducing poverty (Kisusu, 2008). This is a possible expression as poverty reduction cannot be attained easily when the country experience bad governance and this implies that addressing poverty is possible when good governance is well maintained favorably.

Although the economy of Tanzania relies on rural economy which is heavily based on small scale agriculture, strategies on how to develop rural areas is an issue which needs comprehensive outlook. Based on the trend, the rural gets insignificant weight even by many governments worldwide (Cooksey, 2013, Policy Forum, 2012a). As a result, life in rural is as miserable such that poverty is so rampant and in some cases even annoying. In this country, the situation is worse. For example, per capital income, per capital expenditure, mortality rates, morbidity rates, shelter, environment and illiterate rate are worse as compared to urban areas (URT, 2013). This could also be associated with the governance which experiences an alarming situation in rural areas. This is based on several indicators; among them is the existence of high corruption level, poor services delivery and human rights violation which humiliate a lot of smallholder farmers and pastoralists. In most cases, conflicts between farmers and pastoralists occur due to bad governance in rural areas, associated with biasness involving civil servants in rural areas (Cooksey, 2012a; United Republic of Tanzania, 1999a, Policy Forum, 2012b).

In an attempt to improve rural areas, the government of Tanzania managed to put a lot of financial resources with an assumption that it would help to reduce poverty through improvement of good governance in rural areas (URT, 2011, 2013). But, the result was not as expected. Consequently, the government of Tanzania realized that the successes were very minimal due to an ineffective communication between rural people and the government itself. As a result, citizens felt that they were abandoned by the governments. This is based on the fact that communication between the government and people in village and vice versa was not that much effective, thus creating a gap and consequently ended up expanding the gap.

In order to overcome such a gap of poor communication or informing citizens with needed information on time, the government of Tanzania was forced to adopt the use of electronic government popularly known as e-government in 2003 (URT, 2013). E-government was thought to be feasible and effective in the strategy to increase the development which involves the citizens, either in rural or urban centers. As a result of that, it was necessary for the government through Information Communication Technology (ICT) to dialogue with the people using electronic government (e-G). Others, including Mwachang'a (2013), define e-G as a utilization of online services to deliver government information and services to citizens. UN Publications (2005) also defined e-government as a transformation of public sector internal and external relationship through use of ICT. This means e-government is defined as a system where the government delivers services to its people electronically through ICT.

Due to the importance of ICT, many governments thought the livelihood of their people either in either rural or urban areas could reach optimal level when the required information reaches their people in time and vice versa. It is important, however, to ensure that the positive results of e-government spread worldwide. For instance, Backus (2001) reported that e-governance in developing countries efficiently increased the services delivery, reduced cost of delay, speeded up development, saved time and improved good governance in general. Again, in India, the use of e-government has substantially improved the livelihood of rural areas through the provision of good governance.

The impact of e-governance is also noted by several studies, as it was further reported by Raina (2011) that, e-government strongly supported the rural poor in Gyandoot-India through increasing benefit of strategies initiated to alleviate poverty. However, it was illustrated that the number of the poor who par-

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ticipated was very minimal. This could be due to the fact that the level of adoption of new technology was carried poorly. On the other hand, it was marked how such reduction of poverty through the use of e-government correlated with the increase of economic growth. For example, the increase of economic growth reported by various studies empirically by Chandra and Malaya (2011) on World Bank study shows that, at least 10% increase in mobile phones subscribers was associated with 0.8% increase in economic growth while, 10% increase in high speed internet connections was related with 1.3% increase in economic growth.

Although, the economic growth is related to effective communication as noted above, generally that growth could be associated with the level of good governance in the country and among the targeted group of the population could be those who reside in rural areas. With that relation, the level of good governance in various countries especially in Africa is not much attracting. Basing on http://www.moibrahimfoundation.org/interact/, by percentages on good governance in the list of African countries, Mauritius leads (83%) while Somalia is the least (7.2%). In East African countries, Tanzania leads (58.8%), in Central Africa Rwanda leads (53.5%), in Sub Saharan Africa, Mauritius leads (82.8%), Southern African Development Countries is Mauritius again (82.8%) followed by Botswana (77.2%). Those with poor rural development as indicated by the level of good governance includes, Zimbabwe (34.4%), Central Africa Republic (33.7%), Eritrea (33.0%), Chad (32.8%) and Democratic Republic of Congo (32.8%). In West African countries, Ghana leads (66.3%) while Tunisia leads (62.7%) in North African countries.

The same source ranks Tanzania number 10 out of 52 countries, however, efforts on e-government in rural areas in Tanzania is again unpersuasive. On the other hand, the mode is 58.5% involving Tanzania, Sao Tome and Principe and Zambia. With the countries proportions, several countries scored highly while the same countries had high increase of good governance. Countries like Angola, Sierra Leone and Liberia perform very well in the increase of good governance. The median level country was Swaziland.

Some of the mentioned constraints by several studies are due to poor economic power. Mostly involving; unreliable power distribution in a country, high cost of ICT infrastructure which is not affordable by rural communities due to rural poverty and a shortage of service providers. Although, poor economic situation is mentioned as the hindering factor, it is possible that ineffective development policy could be the most causative reason.

This paper reviews how e-government could improve rural development with an emphasis on good governance which supports rural poverty alleviation in the country. The paper is divided into four subsections namely theoretical background, methodology, and review on good governance and poverty alleviation, conclusion and recommendations.

METHODOLOGY

Study Area

The study is based on Tanzania mainland composing an area of 945,087 square kilometers (378,000 square miles). This area is slightly twice larger than the size of California (One World – Nations on line, 2014). It contains 25 administrative regions with 135 local government authorities. But due to poor infrastructure especially in rural areas, e-government is also less documented. This implies that large part of country population estimated at 46.2 million by 2013 are not benefiting sufficiently on e- government.

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Such population which is based on One World – Nations Online (2014), reported that Tanzania median age is 18.7 years, with male 18.5 years and female 19.0 years are minimally benefiting. However, this indicates how a female lives longer than male and one of the reasons being the effect of HIV/AIDS on a male. Despite the variations, e-government could have done a major role through sensitizing the population variable on the HIV/AIDS epidemic, an issue which has less been done. Although, literacy rate is reported at 85.9% on males and 70.7% on females, the impact of this is not seen by rural community and therefore reflecting untrue results. Another controversial observation is that, males are more literate than females but how comes that males fail to utilize their knowledge to combat HIV/AIDS as compared to females? The review was not able to come up with the scientific answer. However, 85% of total area is rural based and about 85% of total population lives in rural areas. Despite the fact, e-government in rural areas is less seen and therefore, indicating a horrible situation.

Data Collection and Review Technique

Data collection based on secondary sources which extracted from official documents such as government libraries, e-government agency, publications and internet. The review is based on qualitative and quantitative techniques and mostly involving the use of percentages, mean, mode and median.

REVIEW ON RURAL DEVELOPMENT INDICATED BY GOOD GOVERNANCE AND POVERTY ALLEVIATION

E-Government on Good Governance in the Rural

Among the key indicators of rural development is good governance. Association of that kind is well elaborated and therefore Tanzania with population reaching 42.6 million (2012, Census) considers good governance too as a milestone of national development. But the review noted that, the strategies to attain e-government for good governance in rural development are less implemented. This is based on the fact that, Tanzania ranks high in corruption practices, with minimal transparency. For instance, World Bank Institute Indicators (2013) found that Tanzania ranked 100th out of 182 countries based on Corruption Perception Index (CPI) by international transparency (http://www.corruptiontracker.or.tz/dev/index.php). This implies that majority of the rural citizens lack information on how government put efforts to combat corruption and other indicators of good governance such as rule of law, integrity, democracy and good ethics. Again, this evidences how the e-governance is highly demanded in rural areas something which is missing. However, for African states, Tanzania ranks on the top ten on the best position.

The same evil of bad governance has ever again been reported by several diplomats. For instance, due to corruption, the Embassy of Finland in Tanzania (2013) noted through Human Development Report (2011) that, in Tanzania, basic service delivery is generally low. Almost all children go to school, but the quality of learning is relatively low and only a third of all continue to secondary schools studies. Approximately, 50% of the mothers do give birth without professional health assistance while a third of all children are under-malnourished. The review noted that the coverage is very disappointing. As Simomen (2011) also noted, gender equality in local governments in Tanzania remains low. This correlates to the fact that the number of female who are local government councilors is still very small, which varies between 25% and 33% (United Republic of Tanzania, 2012; http://www.google.co.tz).

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Basing on such consequences, e-government could be more feasible as it may cover a large number of populations who reside in rural areas. This also was appealed by the United Nations in Tanzania (2011) concluding that, weakness remains in ensuring government transparency and accountability. This includes effective oversight of the national poverty reductions strategies implementation (http://www.tz.one.un.org/index.php). As such it is appealing to apply e-government so that every person who resides in rural areas at least knows the initiated efforts of maintaining good governance.

E-Government on Rural Poverty Alleviation

Tanzania experiences high levels of poverty as the majority of the citizens live below poverty line. By review, it was estimated that 65% of Tanzanians live below poverty line which is equivalent to US $ 1.25 a day (http://www.allafrica.com/stories/2013). Moreover, USA (2013) reported that 42% of Tanzanian children below 5 years suffer from stunting and 16% are underweight (www.feedfeature.gov/country/Tanzania). With these anomalies, it is proper to engage e-government so that those who are unable to obtain the required health standard could be able to look for other alternative means. For example, the use of e-government may educate and give more awareness for those who have been experiencing stunting and underweight to consume other available food nutrients which are not necessarily from urban centers. It is also reported by several studies that, most of the poor population are those living in rural area. They possess low per capital income; they consume calories below the required amount per day, living on poor environment and drink unhygienic and unsafe water and experience gender imbalance (Kisusu, 2003). The review noted that such horrible life conditions could be eliminated through application of e-governance.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The review observed that e-governance is an effective means of improving rural development through focusing on good governance which could end up with poverty alleviation. This can be affective as e-governance realizes the required services on time and it is easy to get feedback on an agreed time. Moreover, it helps to save time and eliminates time delay. As such, fast rural development would only be attained through the use of e-governance. But likely, the constraint remains to be poor electricity supply in rural areas, the salvage which needs comprehensive efforts.

Recommendations

In order to achieve e-governance for rural development at specified time schedule, the review suggests that obstacles hindering the use of e-governance should be addressed with sufficient efforts. These efforts may include encouraging energy agencies to find reliable electricity sources such as solar systems in rural areas and to create agencies in rural areas for provision of ICT related services. Similarly, policies to encourage e-governance through motivation processes should be reformulated and implemented to get a positive result; including the revision of rural development policy.

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KEY TERMS AND DEFINITIONS

Good Governance: A process for creating and executing decisions in order to achieve a positive effect on various aspects, mostly in central and in local government. Such implementation may also involve consultation policies, practices, meeting procedures, service quality protocols as well observing conduct of elected representatives and office bearers, role clarification and good working relationships.

Governance: In most cases is a process undertaken by either mostly a government, market, or network on whether over a family, tribe, formal or informal organization or territory. So that laws, norms, power or language are maintained throughout.

Information and Communication Technology (ICT): A large umbrella term that covers all technical equipment to process and communicate information to customers. In this case, any communication device or application such as radio, television, cellular phones, computer and network hardware and software, satellite systems as well as the various services and applications associated with them are recognized as ICT process. ICTs are often spoken of in a particular context, such as ICTs in education, health care, or libraries. The term is more common in Tanzania and outside the country.

Policy: In a normal circumstance, the policy is a principle or protocol used to guide decisions in order to achieve rational results. Policy may also refer to the process of making important organizational decisions following identification of different alternatives such as programs or spending priorities. In Tanzania, it is understood as economic, technical, political, management, financial, and administrative mechanisms arranged to reach explicit goals which ultimate results is desired developments.

Poverty: The state of one who lacks a certain amount of material possessions or money inability of getting choices, opportunities, violation of human dignity and lack of basic capacity to participate effectively in society. It means insecurity, powerlessness and exclusion of individuals, households and communities. In Tanzania, poverty is condition where a person unable to acquire basic needs such as food, shelter, good environment, education, health and lacks democracy.

Poverty Alleviation: It describes strategies to eradicate poverty. It is any process which seeks to reduce the level of poverty in a community, or amongst a group of people in the country which involve improving the living conditions of people who are already poor. Poverty alleviation efforts may also be aimed at removing social and legal barriers to income growth among the poor which mostly in Tanzania is those living in rural areas.

Rural: A geographic area that is located outside cities and towns but in Tanzania context rural means village areas. Rural as encircling all population, housing, and territory not included within an urban area. Characteristic of rural is low population density and small settlements and majority are poor thus living below poverty line.

Rural Development: Refers to the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas. It is also characterized by its emphasis on locally produced economic development strategies.

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Chapter 86
Historical and Methodological Approaches to the Analysis of International Labor Migration in a Globalizing World Economy

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ABSTRACT

International labor migration is a multi-level, multi-dimensional, social phenomenon studied by specialists of different branches of science. The scientific views on the content of the concept, causes and factors, consequences, etc. have been developing together with the progress of the phenomenon and are developing until now. The chapter is devoted to the influence of the world economic trends (globalization, integration, transnationalization) on the international labor movement and change of theoretical approaches to its analysis in the historical development of society on the example of modern concepts.

The contemporary world economy is a collection of national economies an associated system of international economic relations, an organic unity of interconnected and interdependent parts that is generating a process of human society development. The global economy and the system of international economic relations in process of historical development passed through different stages with distinctions both in quantitative and qualitative characteristics. Historical approach to analysis of socio-economic phenomena requires knowledge of objective historical laws process and study of the phenomenon in the development: how it appeared? what stages were passed? what results were found?

Under this approach an international migration process against the background of the historical development of late twentieth and early twenty-first centuries were analyzed. Period boundaries are defined by qualitative changes in the productive forces, caused by scientific and technological revolution as well as by major socio-political phenomena: collapse of colonial system, collapse of socialist system, disintegration of the Soviet Union.

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Since World War II, a complex structured system of international economic relations has been formed by several interconnected and continually developing forms of entities, both long ago involved (States and intergovernmental organizations) and new (international governmental and non-governmental organizations, multinational corporations, firms, associations, unions, etc.).

Qualitative changes in the world economy is basis for development of international division of labor and internationalization of production, under the influence of scientific and technological revolution, in the second half of the twentieth century led to regional economic integration and transnationalization. In the last quarter of the twentieth century developed countries have begun their transition from industrial to post-industrial society, which is based on productive forces, combined global information technology systems, transition to the global economy.

Deep analysis of the global economy was made by Manuel Castells. For Castells, M. globalization is associated, first of all, with economy. He started using a term "global/the informational economy". Processes of globalization in the world are new and highly significant factor in contemporary migration, but migration itself is increasingly playing role of tool for globalization development.

According to this scientist, a global network which is the result of revolution in information technology has created a material basis for economic globalization. And this stage is new and differs from pre-existing economic systems. Economy is global, because the main economic activities and production factors are organized globally, either directly or with the use of an extensive network linking economic agents; economy is informational because productivity and competitiveness depend primarily on the ability to generate, process and use the information based on knowledge effectively (Castells, 2000, 80-81).

According to Castells, M., a principal difference between information technology revolution compared with its historical antecedents is that the new information technology almost immediately covers space around the world. However, the scientist recognizes that international economy is not global in general, it only goes on the path of globalization; large share of GDP and employment in most countries continues to be depended on activity of the domestic economy, but not from the global market.

However, there are significant areas that are not included in the modern technological system in the world. Castells (2000) makes a major conclusion: different levels of people, regions' and countries' access to technologies are the reasons of inequality in the modern world.

Edge of this process is the threat of exclusion of all national and even continental economies (for example, African) from the global information system and, consequently, from the global division of labor (Castells, 2000, 53).

Consequences of globalization trends on migration are also analyzed by Massey, D. Scholar writes (2002): "In the context of economic globalization, market transition and capital-intensive production practices .... lead to a large-scale displacement of people from their traditional way of life .... Research shows that international migrants do not come from poor isolated places that are cut off from world markets. Migrants arrive from those regions and countries that are undergoing rapid changes as a result of their inclusion in the global trade, information and production network. .... International migration is not the result of insufficient market development, but just development of markets themselves" (Massey, 2002. 162).

Eppleyard, R. highlights another important aspect of globalization - a higher level of organization, where national identity is blurred and all major political and economic decisions eventually spread to the whole world.

International labor migration is the relocation of the working population movement from one state to another, due to economic and other reasons.

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The basic notion of international labor migration highlights its main features:

1. Sale of labor power;
2. Crossing the state border;
3. Entry to work legally;
4. Limited period of work in the country of entry.

According to the majority of scholars, one of the main causes of international labor migration is inequality of economic development of countries. In modern conditions, migration gets truly global scales, which cover almost all countries of the world.

According to the International Organization for Migration, in 2012 there were 232 million international migrants (almost 3% of the world population) totally in the world; half of them were accounted in 10 countries ("World migration report", 2013):

1. United States (45.8 million migrants),
2. Russian Federation (11 million),
3. Germany (9.8 million),
4. Saudi Arabia (9.1 million),
5. United Arab Emirates (7.8 million),
6. United Kingdom (7.8 million),
7. France (7.4 million),
8. Canada (7.3 million),
9. Australia (6.5 million),
10. Spain (6.5 million).

A distinct vector of migration doesn't change - from South to North, from less developed countries to highly developed. Since 1990 a rapid growth of international migrants in the absolute number has been registered in North America (25 million people). In the United States, an average annual growth rate of migrants was about 2.8%. Position of Western Europe as one of the centers of attraction of migrants has also strengthened: at the beginning of the 90th there were more than 20 million of international migrants, and in 2012 - 72 million people ("World migration report", 2013).

We shall note another trend in the development of modern international migration - the growth of migration flows in North-South direction. According to World migration report, there are 7 - 13 million, or 3.6% of all international migrants. The first reason for this flow - skills shortages in countries with rapidly developing economy (BRICS and others). For instance, a number of work permits issued in Brazil between 2009 and 2011 has increased by 64%, with a substantial proportion of foreign workers - migrants from the United States.This trend is also relevant for China, where rapid economic growth and labor market requirements stimulate demand for foreign professionals (especially highskilled ones). The second reason for migration from North to South is associated with the activities of multinational companies, because the companies are increasingly establishing themselves in the South.

Thus, "as opposed to the view that economic growth itself will eliminate the need for migration - says Richmond, A. - we should recognize that in the emerging global economic and social system migration will likely continue to increase, rather than shrink" (Kritts, 2002, 113-114). We share this statement

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because an increasing of international labor migration as a factor of world production caused by the growth of global production.

According to the UN, one of the main features of contemporary international migration is a significant change of migrants' destinations (table 1).

As shown in table 1, despite the quantitative growth of migration (from 74 million in 1960 to almost 190 million in 2010) the percentage of its population remained unchanged, and the proportion of migrants in the population in developed countries more than doubled, from 5 to 12%. Data of international organizations shows a significant effect on migration flows direction of geographical proximity of countries of origin and destination, such as Mexico and the United States, Eastern and Western Europe, North Africa and Southern Europe ("Trends in International Migration", 2005).

According to International Organization for Migration, 40% of migrants are moving to the neighboring countries. It should be noted that factor of geographical proximity largely explains the fact that majority of refugees from developing countries (over 80%) moves not to developed countries but to neighboring ones for waiting out unfavorable situation.

A greater role of longstanding relationships between countries of origin and destination has emerged during the colonial era. Such historical relations between states largely determine the intensity of particular emigrant flows from Latin America to Spain and Portugal, from countries of sub-Saharan Africa to Belgium, France, Portugal, from India to the UK, etc.

One of the factors influencing migration processes is change in the territorial world population (Table 2).

As can be seen from the Table 2, the Earth's population between 1960 and 2012 more than doubled to 7.1 billion people. Total growth of the world population in analyzed period is largely due to increasing of Asia, Africa and Latin America population (their share in total population now is about 84%).

Table 1. Regional distribution of international migrants, 1960-2010

	1960			2010		
	The Total Number of Migrants (in Millions)	**Share in the Global Migrant Stock (%)**	**Percentage of Population (%)**	**The Total Number of Migrants (in Millions)**	**Share in the Global Migrant Stock (%)**	**Percentage of Population (%)**
The world (except the former Soviet Union and Czechoslovakia)	74,1		2,7%	188,0		2,8%
By region:						
Africa	9,2	12,4%	3,2%	19,3	10,2%	1,9%
North America	13,6	18,4%	6,7%	50,0	26,6%	14,2%
Latin America and the Caribbean	6,2	8,3%	2,8%	7,5	4,0%	1,3%
Asia	28,5	38,4%	1,7%	55,6	29,6%	1,4%
Countries of the Gulf Cooperation Council	0,2	0,3%	4,6%	15,5	8%	38,6%
Europe	14,5	19,6%	3,5%	49,6	26,4%	9,7%
Oceania	2,1	2,9%	13,5%	6,0	3,2%	16,8%

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Table 2. Population change of the world (in billions)

	1960	1970	1980	1990	2000	2012
The World	3038,4	3696,2	4453,0	5306,4	6122,8	7052,1
Africa	286,7	368,1	482,8	635,3	811,1	1070,1
Asia	1707,7	2135,0	2637,6	3199,5	3719,0	4250,4
Europe	603,9	655,9	692,9	720,5	726,8	740,2
Latin America	220,1	286,4	362,3	443,0	521,4	603,2
North America	204,3	231,3	254,5	281,2	313,3	350,6
Oceania	15,8	19,5	23,0	27,0	31,1	37,7

Compiled by the author based on the analysis of Eurostat data (http://ec.europa.eu/eurostat)

According to UN predictions the rate of world population growth will slow down in the next few decades. However, the total number of residents will comprise more than 9.6 billion people in 2060. Fast increasing of population will be typical only for developing countries. In developed regions (especially in Europe) the population growth will be changed to declining. The reasons for these changes are slowdown of population demographic growth, falling of birth rates, aging of population, increasing of problem with labor market supply and demand. Migration of population is becoming most relevant for these countries. Rapid population growth in developing countries leads to increasing of gap between supply and demand on the domestic labor market and thereby induces a significant part of population in working age to migrate. Thus, the number of migrants from the South (according to various sources) estimates from 70 to 80% of all migrants (Table 3).

One of the most important patterns of contemporary international migration development is its impact on the total population dynamics in countries and regions.

Thus, in the last decades a scale of international migration increased. Number of countries involved in the processes of migration is growing; directions of migration flows are becoming more and more differentiated. Sometimes, situation with the countries positioning in migration processes has also changed: almost all of modern states has become ones simultaneously sending and receiving migrants. This trend is typical for developed and developing countries, moreover, some countries even encourage an export of labor within an overall strategy of socio-economic development acceleration.

The most important factors, influencing development trends of whole world economy system are scientific, technical, technological and information revolutions. All these factors predetermine needs

Table 3. Stock of international migrants (in thousands) and share of global migrant stock on four migration pathways, 2010

	S-N		N-N		S-S		N-S	
	In Thousands	%	In Thousands	%	In Thousands	%	In Thousands	%
UN DESA	74297	35	53464	25	73158	34	13279	6
WB	95091	45	36710	17	75355	35	7044	3
UNDP	86873	41	32757	15	87159	41	7410	3

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for national economies restructuring, resulting in increasing of migration of skilled and highly skilled professionals.

Migration of highskilled workforce is considered in science literature in different ways. The loss of professionals in developing countries undoubtedly slows the rates of their development. For instance, Ghana has lost 60% of physicians trained in the 1980s.; in the second half of the 80s more than 600 thousand of highly skilled professionals emigrated from African countries; in the 1960s, thousands of students from Japan, South Korea, Taiwan and Hong Kong went to study in more developed countries.

Skeldon, R. says that the negative effects of the "brain drain" has not been confirmed in East Asia. Scientist concludes that impact of highly educated migrants' departure should be assessed for each individual country. In this context a factor of migrants' return/non-return to the country of origin gets a fundamental importance.

Since the beginning of the 21st century labor migration flows has increased a proportion of migrants with high level of education and professional qualifications. According to the IOM report, in 2012, 44% of migrants had low qualifications, 33% - had an average level of qualification and 22% of all migrant workers belonged to the highskilled.

Another factor influencing changes in migration system is integration processes. Formation of international economic integration organizations (EU, CIS, etc.) and so-called "transparent borders" has generated an "external" migration as a part of international migration within a single integrated space. As can be seen from Table 3, 13.6 million of people (40% of all migrants in the EU) permanently living in the European Union, are citizens of another EU countries. Such countries as Germany, Spain, Italy, Britain and France attract the largest number of migrants. These five EU member states account for 77.1% of all migrants in the EU-27 (Table 4).

Massey, D. (2007) wrote that "immigration is a consequence of wider processes of social, political, and economic integration, stepping over international borders".

Since the middle of the XX century multinational companies have become a leading force in world economic development. In 2012, 100 largest MNCs based in developing countries and countries with transition economies, have increased their foreign assets for 22%. According to UNCTAD, in 2012 MNCs employed 72 million people (by 5.7% more than in 2011).

Table 4. Movement of populations within the EU and in the EU from other countries in 2012 for some countries

	Total Number of Migrants		**Migrants the EU Citizens**		**Migrants Citizens of Countries Outside the EU**	
	Thousand People	**% of Population**	**Thousand People**	**% of Population**	**Thousand People**	**% of Population**
EU-27	**34323,4**	**6,8**	**13613,5**	**2,7**	**20709,9**	**4,1**
Germany	7409,8	9,1	2744,8	3,4	4665,0	5,7
Spain	5562,1	12,0	2354,3	5,1	3207,6	6,8
France	3858,3	5,9	1353,1	2,1	2505,2	3,8
Italy	4825,6	7,9	1450,1	2,4	3375,4	5,3
United Kingdom	4802,3	7,6	2344,1	3,7	2458,2	3,9

Compiled by the author based on the analysis of Eurostat data (http://ec.europa.eu/eurostat)

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MNCs influence on dynamic of migration processes is ambiguously. On the one hand, their direct and indirect assistance to new jobs creation restrains an emigration process. But, on the other hand, contributing modernization of economy and social relations, improving branches staff' professional skills, establishing closer ties between the countries they are operating, MNCs facilitates a migration mobility. Also transnational companies play an important role in circulation of highly qualified specialists. In general, MNCs use migrant workers from all countries, as well as other factors of production, guided by decreasing of their costs and willings to maximize profits.

Analyzing the processes of international labor migration, it is necessary to take into account a fundamental transformational change of political map of the world. These changes occurred after World War II has largely determined the nature of new international labor migration, the scale of migration flows, their directions, structure and problems. Successful struggle of colonies for independence (60-70th of XX century), and the adoption of UN documents about establishment of new world order caused deep changes in world economy and migration situation in the world. Ambiguity of the consequences of globalization for different countries has not settled contradictions between developed and developing countries, but rather created new problems. Even today, 40 years later gap between levels of countries socio-economic development does not only persists, but also continues to deepen. Another number of transformational changes in the socio-political system in Central and Eastern Europe as well as the collapse of the USSR caused large-scale migration flows of refugees and migrant workers

However, a significant limiting factor of labor migration is a usage of protectionist measures towards migrants. Migrants' flow rates in developed countries are largely depends on decisions of their governments to regard quantity and quality of migrants, to regulate border control effectiveness and migrants' employment. One of famous migration processes' researchers - Agotsino, B. writes: "Freedom of migrant ends where prerogative of the State begins" (Agozino, 2000, p.30).

Due to increasing of armed conflicts around the world, forced migration has become a strongly marked tendency. Another factor strengthening migration flows are unstable political regimes, which generate flows of refugees and migrants. The impact of political and socio-economic changes in the world should be taken into account in analyzing of international migration processes.

An example is the socio-political shocks in North Africa and the Arabian Peninsula in early 2011, which caused significant negative consequences for a number of Western countries by generating huge migration flows. Thus, the Italian island of Lampedusa has become a place for Tunisian refugees arrivals: within 5 days 5,000 people arrived there caused a humanitarian catastrophe.

Educated people, who speak foreign languages, expecting to get a job in the "quiet" and developed countries will be leaving their own states due to political, social and economic reasons.

So under influence of globalization several trends that have an enormous and complex impact on international migration in general (especially labor flows) are appearing. Globalization becomes a major factor in the development of world labor market, formed by global demand and supply of workforce. The increasing scale of labor migration generates many new challenges for States and the international community.

For deeper understanding of the nature of transnational movement of population we shall focus on the analysis of the transformation of theoretical approaches to international labor migration.

One of the first researchers of migration process was Ravenstein, E. who drew attention to the link between migration and economical development, and proved that economic development is the main cause of migration (Ravenstein, 1985, 167-227).

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Migration is essentially a response to the changing conditions of the population development, and it should be read as an integral part of the development process (Skeldon, 2007, 243).

Economically reasoned confirmation of migration role was developed by Simon (2005), author of the theory of "prosperity" or "technological development".

More than one century an international migration is a subject of numerous studies.

From a scientific point of view, as well as in practical terms, international labor migration is a sphere characterized by a variety of approaches and concepts. Moreover, opinions of scientists on the causes and factors of international migration, its importance, role and consequences are often opposite.

There are several approaches to the study of international labor migration.

The most universal, combining a significant amount of theories (from Smith, A. to Keynes, J.) is an economic approach. In this approach, migration appears as one of the most important regulators of the working population, catalyst of labor reallocation depending on skill level, labor market competition, needs of society. Thus, the economic approach combines demographic, sociological (choice of migrant destination is largely dependent on interpersonal relationships, presence of migrant communities, etc.) and other approaches. A distinctive feature of the economic approach is that most of the migrations flows caused by economic necessity.

In the scientific world a neoclassical paradigm of international migration understanding has been developed by Harris, J. & Todaro, M. According to this paradigm causes of international migration in contemporary conditions are economic imbalances and inequalities between the countries, including wage level. It estimates rising of labor movement from countries with low-wage levels to countries with high wages and ensures an implementation of self-regulatory functions of the global labor market. According to Harris, J. & Todaro, M. (1970) sustainable economic development of the less developed regions can only reduce migration.

However, some scientists, for example, Stark (1972) believed that, from the viewpoint of neoclassical macroeconomic theory, we cannot explain the return migration, the influx of migrants to the countries with similar wages.

In contrast to classical theories, supporters of historical structuralism (Castles et al., 1976, 24-32) in the 70-90th of the last century considered migration as a dynamic process caused by structural changes in economy, economic and political inequality of countries and regions. It should be noted, that one of the most important factors for international migration development is state regulation of migration relations. Kastlz (1998) emphasized the importance of a massive labor recruitment in the context of globalization.

One of the first scholars pointed out the factors influencing migration processes was an American scientist Lee (1966) whose theory of "push & pull" factors gains recognition. "Push" factors may include some economic factors (unemployment, low income, high taxes); social and political (poverty, discrimination, restrictions on freedom of conscience and religion, war); unfavorable natural and climatic conditions, etc. "Pull" factors may include a high level of economic development, higher incomes, security, opportunity to gain access to the labor market (including informal sector, which is particularly important for illegal immigrants) and others. Together with the pull and push factors some mediating factors may have an effect on migration. The intermediate factors increase with the growth of distance between territories and can act as limiters of migration flows. These include transport costs, legislative regulation movements, availability of information about the region of arrival, etc. (Lee, 1966, 47-57). Lee (1966) mostly focuses on economic factors of migration, but we cannot ignore the impact on increasing migration of the global tendencies of transportation, communication, access to international information (that helps migrants to solve several problems on the first stage of migration process).

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Systematic approach to analysis of international economic relations implies their research in terms of system integrity. This objective reality is reflected in the theories of international labor migration.

Authors of the "international migration systems" concept (Kritts, M., Zlotnik, N. etc.) within a system combined different approaches to explain migration and proved that migration flows between countries of origin and countries of destination are significantly interrelated. For understanding migration dynamics, scientists believed that it is necessary to consider the whole migration space (migration system).

An intensive process of globalization of labor markets has been attracting attention of researchers more than one decade.

In the global labor market theory such researchers as Pletnev, A., Petras, E., Tsvylev, E. exploring international labor market, have got conclusions that global labor market has no clear territorial boundaries. It's forms and functions is a result of labor export-import development. Scientists determine the movement of foreign labor not only by supply and demand in different countries, but also by political, social, demographic and ecological processes.

In the late 70th a segmented labor market theory (or theory of "dual labor market") appeared and was further developed in the 80th in the works of Portes (1978), Bach (1979), etc. On the basis of multiple labor markets theory, markets are divided into segments — individual parts that do not intersect with each other and act according to their own rules and are characterized by different conditions. Supporters of the segmented labor market theory divide labor market in developed countries into three sectors: primary (highly skilled and well-paid jobs where mostly national citizens are employed), secondary (low earnings, bad working conditions, that are mainly used by foreign workers), and enclaves (work on host-immigrant fellow) (Iontsev, 2001, 92-93). Critics of this theory think that it does not allow to fully predict the macro level changes. Labor market factors in host countries rather than in the countries of origin, impact on migration processes.

Analyzing the causes, trends and consequences of international labor migration in the 50-70s Lewis, Sjaastad, Harris and others noted that international labor movement leads to the welfare of the host country. This is explained by fact that the growth of labor supply in the host country reduces wages that proves being advantageous for entrepreneurs.

Eppleyard (2002), with reference to some scientists, raises the issue about "the impact of globalization on migration policy, as well as on the amount, direction and structure of migration flows" and concludes that "the main task of studying globalization and migration is the understanding of international labor system in this new economy".

Several scientists in their conceptions convincingly prove the role of migration as a development factor. In the 1970s-1980s South Asian countries actively exported labor to maintain the highest rates of economic growth, including remittances. In addition, "... part of migrants are traders and entrepreneurs who transfer economic experience to their country not only creating wealth for themselves, but also jobs for locals, as well as in countries of origin and countries of destination" (Skeldon, 2006, 95).

Causes of migration based on the processes of globalization are investigated by supporters of world-system theory. The main thesis of this theory is that migration flows are directly related to the development scale of foreign economic relations and primarily with the volume of exports. Kritts (2002) proved this conclusion by empirical data analysis of migration flows between the eight countries.

Professor Sassen in her book "The Global City: London, New York, Tokyo" (2001) proves that immigration processes should be regarded as central aspect of globalization together with the internationalization of capital. In her opinion, the model of postindustrial society involves the increased proportion

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of highly educated workforce in the labor market and development of high areas should lead to growth of living standards as well as reduce social tension.

Synthetic theory developed by American sociologist Massey (2007) in the end of the 20th century has also gained popularity. The scientist explained large-scale growth of labor migration flows with the direct dependence on economic globalization and the development of the global market.

Views of supporters of the theory of migration ties or human capital also gained a wide popularity (Hugo, G., Taylor, A., Massey, D., Gyurak, D., Coleman, J.). This theory considers transnational social networks as one of the most important mechanisms determining migration ("Synthetic Theory of International Migration", 2002, pp.161-162). It should be noted that the existence of social networks helps migrants find a job faster and adapt to the country easier. In turn, social networks of migrants form the largest migration corridors. (table 5). A significant part of migrants chooses a specific destination country where relatives or diaspora based. Thus personal factors play a significant role in making a migration decision.

Formation of interstate social ties gives one more new specific feature to contemporary migration. It loses a unilateral movement and increasingly acquire features of a transnational process, called transmigration. Several scientists analyzed the impact of migration networks on different groups of migrants. Low-skilled workers rely more on migration networks based on family relations. Highly qualified specialists, vice versa, are less likely to rely on migration networks, and more focused on communication with colleagues and former classmates.

Changes in the international labor migration in globalization context and new character of migration processes are determined not only by economic factors, but also by social, political, demographic, environmental. This is reflected in the development of theories within the demographic, sociological and other approaches.

In the middle of the 90s of the last century transnationalism concept proposed by Shiller, N. became popular. The authors identified phenomenon of transnationalism as a process where immigrants - transmigrants cross national borders and form a social field, linking the country of origin and the host country. Immigrants included in such social fields, develop and maintain a diverse family, economic, social, religious, political, etc. connections (Schiller et al., 1979, pp 1-24).

In our view, a significant breakthrough in the study of migration is a demographic approach, that explains how demographic situation defines migration processes in the world, and inverse effects of migration on global demography. Interactions between these two processes in the 90s years of the twentieth century in Western Europe was investigated by Sluka, A. He argued that, high economic growth

Table 5. The main migration corridors in 2012

Countries Sending Migrants	Countries Receiving Migrants	Number of of Migrants
Mexico	United States of America	12 189 158
Ukraine	Russian Federation	3 662 722
Russian Federation	Ukraine	3 524 669
Bangladesh	Buthan	3 190 769
Turkey	Germany	2 819 326

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maintaining, GDP increasing, living standards improving in European countries caused sharp deterioration of demographic dynamics (Sluka, 2001).

Professor Iontsev, V. noted that general population theory carries out a comprehensive, interdisciplinary approach: migration was determined as demographic processes affecting only human reproduction, as well as a multifaceted phenomenon, with economic, political, geographical and other aspects having an indirect impact on the demographic development (Iontsev, 2001, p 34).

The development of international migration concepts have been impacted by qualitative changes both in the world economy and non-economic processes: instability of political regimes, increasing of intranational conflicts, rising of unemployment and poverty, and also formation of interstate social communities. The volume of migration is controversially influenced by fluctuations of economic conditions . The impact of these fluctuations was most fully considered by Brinley, T., who identified common patterns of fluctuation migration between Europe and the United States. Brinley, T. in his book "Migration and economic growth: a study of the UK economy and the Atlantic region countries" (1954), in contrast to the generally accepted views, explained periodic inflows of immigrants and capital in the U.S. not only due to the U.S. aggregate demand fluctuations, but also opposite character of British economic cycles.

Under the influence of contemporary trends in the global economy scientists reviewing the methodological approaches to the analysis of migration processes. From the second third of the twentieth century, most scientists use an integrated approach to the study of the migration process, the impact on not only economic, demographic, etc. factors, but also their combinations. Ronald Skeldon argues that inability to explain dynamism of contemporary migration flows has led to departure from the narrowly focused models (Skeldon, 2006, 95).

The second aspect of international labor migration theories development under influence of the global economy - is the integration of different approaches. During the twentieth century a problem of different approaches synthesizing in single concept was repeatedly solved by scientists from different countries. English economist Marshall, A., founder of the neoclassical school in economic science, has applied synthesis approaches trying to combine approaches of marginalism, classical political economy and the historical school in his work (Marshall, 1993).

In order to overcome contradictions and shortcomings of neoclassical and Keynesian theories, and adapt them to the reality of the 60th "neoclassical synthesis" was initiated by the American economist Samuelson, P.

In Russia in the mid 70th a problem of synthesis of different approaches to the migration relations was suggested by Valentey, D. (1976). By necessity to synthesize the results of scientists' research from different science fields, Valentey (1976) explained significance of patterns development and population reproduction for the "internal-external" relations.

Team of scientists provided an overview of the neoclassical economics theory (Todaro, 1976), a new economic theory of labor migration (Stark, 1991), the segmented labor market theory (Piore, 1979), world-system theory (Sassen, 1988); theory of social capital (Massey, Goldring & Durand, 1994) and the cumulative causation theory (Massey, 1990). The purpose of the review was to determine the field of contradictions, complementarities and partial matches, the establishment of value of different theoretical approaches and empirical research literature ("Synthetic Theory of International Migration", 161-162). "There is no simple model of international migration - writes Massey (2007) - which could explain past trends or to predict the future, so the recent research aims to develop integration models that combine different levels and disciplines". Based on systematic approach Massey, D. analyzes complex mechanisms

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determining migration processes, among which defining transnational social networks which support sustainability of international migration movements.

One of the most powerful concepts of the last third of the XX century is the world-system analysis theory initiated by american sociologist and culturalogist Wallerstein, I. World-system approach was developed in the 1970th. The main feature of this approach is that the subject (object) of the study is not separated national states of the world, but world-system in general. Authors and proponents of the world-system proceed from the fact that migration usually occurs between former colonial empires and their colonies, facilitated by historical, linguistic and other ties between countries (Wallerstein, 2001). This theory is based on a systematic approach, intended to prove that migration flows between countries of origin and destination countries are determined by different factors: since the formation of stable migration flows creates a migration system; understanding of these dynamics requires an analysis of the whole system.

The study of international labor migration is interdisciplinary and stay at the intersection of disciplines including demography, sociology, political science and law. This position determines different approaches to the study: demographic, economic, sociological, etc. However, due to the extreme complexity and diversity of the research object, it is extremely difficult and controversial to highlight theories that would correspond to any single approach. In reality, all these approaches and explanations complement each other.

Thus, consideration of the basic concepts of international labor migration has revealed the impact of global economic trends (globalization, integration, transnationalization, etc.), the growing interdependence of countries, manifested in the globalization of international economic relations; the emergence of new approaches in economic elements reflecting non-economic processes (the instability of political regimes, increased intra-national conflicts, rising unemployment, poverty, the formation of interstate social communities, etc.) contributes to understanding of the conditions for synthesizing of modern scientific approaches to the analysis of international migration.

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KEY TERMS AND DEFINITIONS

Concept: An abstraction or generalization from experience or the result of a transformation of existing concepts.

Global Economy: A collection of national economies and non-state actors, which united international relations.

Globalization: The process of international integration arising from the interchange of world views, products, ideas and other aspects of culture.

International Economic Relations: The economic relations between states, regional groups, transnational corporations and other entities of the world economy. Include monetary, financial, trade, manufacturing, labor, and other relationships.

International Labor Migration: A movement of people from one country to another for the purpose of employment.

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Labor Market: A sphere of demand and supply for labor.

Systematic Approach: A direction methodology of scientific knowledge, which is based on the consideration of the object as a system: integral complex interrelated elements.

Theory: A contemplative and rational type of abstract or generalizing thinking, or the results of such thinking.

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Index

A

Absolute Poverty 24-26, 31, 34, 40, 42, 45, 180, 258-259, 263, 275, 554, 565-566, 568, 571-572, 947-948, 1294, 1415, 1529
Accountability 133, 188, 232, 404, 424, 490, 506, 666-667, 675-677, 680, 749, 767, 779-780, 786, 829, 855-856, 859, 937, 946, 1078, 1148, 1150, 1188, 1256, 1270, 1341, 1446, 1524-1525, 1682
Accumulating Savings and Credit Associations (ASCAs) 590
Achievement Gap 92, 235, 731
Activist Games 866
Adversity 539, 703-704, 706, 709, 721, 724, 1614
Affluence 469, 1355, 1358-1359, 1361-1362, 1366
Africa Rising 64, 1341-1342
African migration 1229, 1507
Agbomola 1178
Agglomeration Economies 1039
Agricultural Production 9, 763, 968, 973, 1042-1043, 1045-1046, 1048, 1051-1053, 1059, 1207, 1210, 1214, 1240, 1242, 1393, 1395, 1412-1413, 1415, 1490, 1532
Agricultural Productivity 158, 1062, 1160-1161, 1205, 1230, 1235, 1528-1532, 1534, 1536-1538, 1541
Al Haj 514
Al Salat 514
Al Sawm 514
Al Zakat 514
Algeria 1337, 1508-1509, 1511-1515, 1523-1524
Alienation 23, 705-706, 708, 824, 830, 1580
Alternative Dispute Resolution (or ADR) 902
Analytic Hierarchy Process 1472, 1476, 1478, 1487
Arab Spring 172, 830, 871, 1256
Arbitration 890-891, 902
Arts-Based Civic Engagement 704, 711, 714, 721, 724-725
Arts-Integrated 703, 713
Asymmetric development 1334, 1336, 1339-1340, 1344-1346
Audience Labor 822, 825-827, 836
Austerity 538-547, 843, 1433, 1435-1437, 1439

B

Balochistan 1279-1282, 1284, 1287, 1289
Bangladesh 59, 72-73, 132-133, 142, 161, 175, 182-185, 190-191, 195, 226, 340, 480-493, 495, 498-499, 578, 773-780, 782-788, 792, 838, 848-849, 851-854, 859-860, 931, 937, 1318, 1323-1325, 1331, 1333
Bangladeshi 142, 481, 576
Bankable 352, 590, 781, 934
Banking the Poor 921, 930-931, 941
barber shop 1009, 1013, 1015-1017, 1019
Behavioral Finance 41-42, 45-47, 49-50, 54
Big Data 749-750, 756, 766-767, 793-796, 799
black economic empowerment 1491
Blackboard Labs 717-718
Bloch 818, 823, 829, 1310, 1383
board of directors 331-333, 335
Border Management 1505
Boycott 363, 1656, 1658-1660, 1662-1673, 1677
Breusch and Pagan Lagrangian Multiplier Test 1330
Bureaucracy 112-113, 324, 387, 489, 1009, 1017, 1021, 1033-1034, 1145, 1154, 1191, 1211, 1379, 1498-1499, 1501, 1515
Business Climate 324, 663, 665, 672, 680, 686, 1026, 1306, 1311, 1380, 1384, 1468, 1476, 1481, 1515
Business Cluster 1039, 1654
Business Council 1468, 1471-1481, 1487
Business Enterprise 133, 206, 1558
Business Environment 5, 69, 74-75, 330, 423, 433, 449, 663-664, 669-670, 674-675, 686, 1029, 1033,

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1036-1037, 1306, 1380, 1443-1444, 1455, 1457, 1466-1470, 1476-1477, 1480-1481, 1488, 1551, 1625, 1645, 1649
Business Ethics 106, 117, 428, 663-664, 679, 686, 1456
Business Performance 328, 674, 966

C

Capability Approach 467-468, 688, 692, 694, 1303-1304, 1306-1307, 1378-1381, 1388, 1572
Carbon Dioxide 755, 1355-1362, 1366, 1368
Carbon Dioxide emissions 1355-1358, 1360-1362, 1368
Causal Inference 303-304, 310
Causality 313-314, 317, 848
Centralised-Decentralisation 213, 219
CEO Duality 332, 339
Characteristics of Global Cities 1653
Chi-Square Test 1472-1474, 1477, 1488
Chronic stress 235-236, 243
Citizen Journalism 829, 1256-1258, 1266, 1269, 1278
City Manager 1039
city-management 1028
CIVETS 459
Civic Education 637
Civic Engagement 91-93, 97, 99, 101, 369, 393, 592, 595-596, 598, 603, 605, 611, 623-624, 627-631, 637, 703-714, 721, 724-725, 730-732, 736, 739-741, 828-829, 1259, 1266, 1278, 1546, 1616, 1657, 1671, 1673
Civil Society 34, 94, 210, 382-383, 389-390, 392, 401, 404, 408, 483, 688, 706, 733, 844, 873, 1033-1036, 1139, 1141-1144, 1146-1148, 1152, 1154, 1183, 1215, 1253, 1256, 1268-1269, 1271, 1303, 1309, 1377, 1383, 1667
Climate Change 380-381, 752, 755-756, 760, 763, 975, 1160, 1209, 1214, 1231, 1235, 1242, 1244, 1356, 1359, 1362, 1366, 1390, 1393, 1416, 1431, 1498
Collaboration 98, 187, 227, 263, 351, 364, 381, 383, 391, 393, 472, 593, 598, 629-630, 647, 651, 687-688, 704, 737, 761, 820, 866-869, 876-877, 926, 979, 983, 985-987, 1012, 1072, 1088, 1102, 1105, 1113, 1133, 1278, 1490, 1498, 1500, 1561, 1567, 1580
Collateral 73-74, 76, 143, 173-174, 182-183, 190, 575-576, 579, 583, 590-591, 639, 655, 775-776, 779-780, 783, 847, 1209, 1317
Commonwealth Of Independent States 2, 1046
Communal Challenges 1139, 1141
Communication Model 1202
Community Arts 715, 724
Community Development 133, 356, 379, 383, 392, 403, 501, 866-868, 875-877, 1015, 1145, 1147, 1149, 1151, 1164-1165, 1292-1293, 1398-1399, 1619
Community Interest Companies 404, 420
Community Organizing 724, 1379, 1388
Competitive Advantage 5, 331, 409, 428-429, 467, 651, 677, 912, 966, 971, 1086, 1090, 1100, 1203, 1493, 1633, 1641, 1643
Competitiveness 1, 4-5, 22, 28, 79-80, 112, 131, 288, 331, 426-427, 431, 451, 464, 482, 540, 698, 700, 945, 976, 1029-1030, 1036, 1040, 1042, 1044, 1047, 1050, 1078-1079, 1086, 1095, 1187, 1409, 1497, 1536, 1538, 1632-1633, 1651, 1654, 1687
Compulsory Savings 590
Conflict 61, 63-64, 66, 156, 329, 335, 555, 665, 676, 688, 709, 718, 762, 871, 873, 882, 884, 889-892, 895, 902-903, 971, 1188, 1196, 1250, 1267-1268, 1283, 1286, 1288, 1399, 1401-1402, 1404, 1508-1509, 1511-1512, 1514-1525, 1527, 1546, 1551, 1642
Conflict Management 890, 902, 1399, 1401
Conflict Mediation 64
Conflict Resolution 63, 882, 884, 890-891, 895, 902, 1402, 1546
Conflict Transformation 890, 902
Consultative Group To Assist The Poor 73, 175, 195, 341-342, 353, 924
Contract Workers 1165, 1172-1174, 1178
Conventional Political Action 362, 364, 366, 368, 370-375, 1664
Convergence 96, 198, 201, 206, 212, 220, 289, 293, 515, 518, 529, 541, 547, 735, 1140, 1154, 1187-1188, 1202-1203, 1267, 1360, 1432
Convergent Thinking 981, 989
Co-Operative Governance 1142, 1148
Cooperatives 141, 175, 340, 342, 347, 351, 356, 580, 923, 944, 1003, 1087, 1293, 1307, 1323, 1373, 1377, 1379, 1382, 1389, 1395, 1397-1398, 1403-1404, 1406
Corporate Governance 328-332, 334-336, 339, 424-425, 675-676
Corporate Social Responsibility (CSR) 84, 132, 414, 1176, 1442, 1465
Corporative Town 970, 973
Correlation 12, 279, 287, 305-306, 313-314, 334, 436-437, 443-444, 446, 568, 585, 668, 677, 838, 844-845, 906, 962, 1025, 1068-1069, 1253, 1321, 1331, 1339, 1481, 1523, 1547, 1553, 1596, 1599, 1647, 1668

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Corruption 5, 61, 63, 74, 79, 422, 432, 434-435, 443, 445-446, 449-450, 484, 489-490, 639, 663-680, 686, 839-847, 849, 857-860, 864, 1140, 1147, 1188, 1231-1232, 1244, 1255-1256, 1336, 1338, 1391, 1493, 1496, 1499, 1515, 1523-1524, 1542-1543, 1546-1547, 1549-1553, 1558, 1643, 1645, 1650-1651, 1679, 1681
Corruption Perception Index (CPI) 663-664, 668, 670-671, 673, 686, 849, 1681
Creativity 131, 133, 197, 209, 490, 542, 593, 602-603, 605, 624, 628, 713, 720, 780, 868, 950, 975-980, 983-985, 987, 989, 1003, 1562
Credit Delivery Model 183, 190, 195
Credit Union 580, 590, 1397
Crime 47, 280, 289, 627, 649, 664-665, 670-671, 677-678, 688, 991, 1015, 1078, 1087, 1094, 1109, 1113, 1116, 1140-1141, 1144, 1154, 1230, 1338, 1492-1493, 1497, 1500-1501, 1543, 1545-1547, 1550, 1553, 1643, 1654
Critical Gaming 870, 874
Crowd Capital 518, 527, 529, 536
Crowd-Funder Value 515, 520, 526, 529, 536
Crowdfunding 171-173, 175-178, 190-191, 195, 516-519, 522, 525, 527, 529, 631-632
Crowd-Funding Platforms 517-518, 520, 523, 525, 527, 529, 536
Crowdsourcing 593, 629-632, 1133
CSR Level 1448, 1465
Culture of Peace 902
Cyber Activism 867, 872, 1259, 1269
Cyberactivism 870, 873, 1259, 1278

D

Decentralization 324, 965, 1473, 1565, 1654
Decision Support 793
Decision-Making 42, 45-46, 54, 110-111, 115, 156-158, 162, 174, 183, 200, 219, 256, 262, 332, 339, 381, 392, 414, 527, 545, 605, 748-750, 785, 1032, 1035, 1088, 1110, 1113, 1149-1151, 1186, 1203, 1214, 1231, 1306, 1380, 1399, 1415, 1419, 1422-1423, 1478, 1564, 1576, 1578, 1603, 1615, 1653
Decontextualized Best 1016-1017, 1021
Democratic Education 623-624, 626, 628, 632-633, 637
Demographic Structure 290
Dependency Model 55, 57-58, 65
Deprivation 25, 42, 44-45, 54, 223, 237, 258-259, 261-262, 275, 576-577, 613, 616, 648, 752, 841, 948, 1021, 1084-1085, 1087, 1145-1146, 1289, 1300-1301, 1396, 1400, 1407, 1509, 1545, 1562
Determinants 4, 26, 196, 203, 220, 258, 283, 297, 303-304, 310, 313-315, 319, 422, 424-425, 427, 429, 432-433, 435, 445-446, 448, 450, 452, 612, 663-665, 860, 1210-1211, 1246, 1302, 1309, 1383, 1467, 1534, 1542, 1544, 1548, 1553, 1601
determinants of migration flows 283
Developing Economies 9, 11, 60, 114, 354, 424, 448, 459, 472, 575, 580-581, 650, 664, 679, 839, 851, 904, 907, 910, 922, 1042-1043, 1091, 1529
Development Communication 55-57, 59-60, 63-66, 1182, 1202
Dialogue as an Alternative to Debate 902
Digital Divide 200, 213, 627, 1181, 1185-1187, 1189, 1198, 1202, 1264
Digital Entrepreneurial Charity 921, 932, 941-942
Digital Labor 821, 827
Digital Media 92-94, 96-99, 592-605, 610, 731-733, 735-739, 829, 867, 870, 873, 877, 1257
Digital media production 99, 597-600, 603-605, 739
Digitalization 1181, 1185, 1187-1188, 1202
Diminishing Returns 461, 1611-1612
Dispossession 1206, 1210-1211, 1225-1226
Divergent Thinking 981, 989
Diversity 12, 90-91, 93-95, 99-101, 167, 212, 233, 278, 297, 333, 380, 467, 489, 499, 594, 604, 708, 724, 729-730, 732-734, 739-742, 766, 777-778, 782, 794, 810, 816, 868, 871, 893, 909, 976, 1032, 1059, 1241, 1280, 1396, 1423, 1509, 1522, 1548, 1697
DIY 593, 596, 598-599, 605, 610
Doing Business Indicator 663-664, 669-670, 686
Domestic Tourism 816, 914, 1489, 1492, 1495, 1499, 1501
Dominant Paradigm 55-59, 65, 1180, 1182

E

Economic Activities 27, 156, 158-159, 161, 206, 223, 298, 302, 313, 347, 406, 413, 483, 488, 575, 584, 587, 641, 779, 805, 813, 904-905, 907, 949, 951, 963, 968, 971, 1061, 1112, 1165, 1170-1173, 1178, 1279, 1400, 1481, 1487, 1494, 1545, 1561, 1565, 1576, 1578, 1687
Economic Concern 1454, 1457, 1465
economic decline 232
Economic Effects Of Migration 277, 281, 1611
Economic Freedom Index (EFI) 663-664, 668, 686
Economic Inequality 386, 555, 839, 864, 1233
Economic Openness 279, 301
Economic Space 277, 279, 281, 290-292, 301, 1022, 1416, 1633

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Economic Wellbeing 481, 1159, 1162, 1172-1176, 1178
Economies of Agglomeration 1039, 1065, 1654
Efficacy 366, 368, 372-374, 704, 707, 709-710, 712, 718, 721, 1376, 1546, 1564, 1619, 1627-1628, 1664, 1666-1667, 1672, 1677
E-Governance 1179, 1181-1182, 1184, 1186, 1188-1189, 1192, 1195, 1198, 1203, 1679, 1681-1682
Egypt 56, 61, 63, 171-173, 178-181, 188, 190-191, 459, 484, 807, 1065, 1067, 1075, 1087, 1250-1252, 1256-1262, 1266-1267, 1438, 1647, 1659
Elderly People 256-257, 259, 261-266, 268, 270-271, 275, 1165
Elections 62, 333, 462, 628, 887, 1034, 1260, 1492, 1512, 1514, 1516, 1518-1520, 1522, 1525
Employee's Attitudes 1448-1449, 1451, 1455-1457, 1465
Employee's perception 1443, 1448-1449, 1456
Energy Consumption 690, 696, 1069, 1359, 1361
Entrepreneurial Skills 70, 602, 1015, 1021, 1624-1628
Entrepreneurial Spirit 926, 991, 995, 997, 999-1000, 1002-1005, 1007
Entrepreneurship 55, 59-60, 63, 66, 70, 73-74, 76, 78, 106-112, 114-115, 117-119, 142, 181, 385, 389, 400-406, 408, 413, 415, 420-421, 433, 480-483, 485-491, 516, 521-522, 528-529, 576, 587, 631-633, 646, 686, 842, 844, 909, 913, 926, 934, 937, 944-947, 949-952, 955, 975-976, 990-992, 995-996, 999-1002, 1004, 1014, 1032, 1105, 1159, 1164, 1172, 1176, 1306, 1380, 1467, 1490, 1543, 1547, 1563, 1618, 1622, 1628, 1649
Environmental Concern 367, 1451, 1465
Environmental Degradation 366, 373, 808, 841, 1180-1181, 1207, 1228, 1230-1231, 1241-1242, 1303, 1356-1358, 1360-1362, 1366, 1377, 1393, 1453, 1465
Ethnic Minorities 30, 289, 908-909
Ethnicity 62, 91, 94-96, 233-234, 705, 708, 730, 733-735, 1186, 1399, 1404, 1509-1510, 1516, 1519, 1527, 1543
E-Tourism 1084, 1100
Euro Zone 1428-1429, 1432-1436, 1438
European Social Charter 24, 27, 29, 40
European Union (EU) 3, 23-24, 26-31, 33-34, 36, 41, 258, 276, 278, 300, 401, 434, 486, 540, 554, 568-569, 571, 612-616, 619-621, 1042, 1045, 1050, 1052, 1160, 1206, 1416-1417, 1419, 1433-1438, 1456, 1595, 1641, 1691
extended Model of Internet Commerce Adoption (eMICA) 1086
Extensive Growth 1590, 1612
Extreme Poverty 68, 223, 261-262, 763, 815, 922, 924, 946, 964, 1011, 1103, 1159, 1214, 1247, 1257, 1292-1296, 1311, 1334-1336, 1342, 1345-1346, 1393, 1432, 1437, 1529, 1614, 1616, 1618, 1620

F

Facebook 94, 96, 188, 521, 546, 733, 735, 817-818, 821-822, 825-831, 871-872, 932, 1094, 1133, 1249-1252, 1254-1262, 1264-1268, 1270
Factors Affecting Economic Growth 1587, 1612
Farming 197, 362, 364-365, 367, 465-466, 471, 579, 583-584, 654, 780, 804, 998, 1033, 1044, 1049, 1052, 1105, 1159-1161, 1163-1165, 1171, 1173, 1178, 1192, 1208, 1210, 1214, 1235, 1299, 1372, 1391, 1396, 1400, 1408, 1412-1415, 1418, 1421-1422, 1530-1531, 1536, 1538
Financial Behavior 259, 275
Financial Crises 314, 328, 1428-1432, 1434
Financial Education 355-356, 358-359, 787
Financial Inclusion 73, 340-342, 352-356, 358-359, 784, 922, 1319, 1328
Financial Institutions 73, 143, 173-174, 353, 575, 580-581, 639, 674, 782, 922, 1159, 1206, 1298-1299, 1319, 1331, 1422-1423, 1429, 1435, 1635, 1643, 1653
Financial Services 71-75, 142, 158, 172-173, 176, 191, 195, 321, 341, 343-344, 348, 352-354, 356, 358, 576-577, 579, 590, 618, 773-774, 779, 781, 784-787, 791, 924, 950, 1044, 1317, 1331, 1333, 1530, 1653
Food Banks 540-541, 544, 546-547
Food Blog 538
Food Poverty 44, 538-543, 547, 561, 762, 1616
Food Safety 362, 364, 366, 373-375, 751, 756, 1419
Food Security 380, 748-756, 759-763, 766-768, 841, 1041-1042, 1051-1054, 1102-1103, 1105, 1112, 1123, 1144, 1160, 1205-1210, 1212, 1214-1215, 1225, 1233, 1242, 1244, 1391, 1396-1397, 1408-1409, 1411-1412, 1415-1416, 1418-1419, 1421-1423, 1529, 1532, 1536
Foreign Direct Investment (FDI) 1, 17, 313-325, 422-440, 442-452, 459-466, 471-473, 484, 672, 675, 680, 905, 1181, 1205, 1208-1212, 1214, 1226, 1337-1338, 1341, 1343, 1542-1545, 1547-1553, 1558
Formal Institutions 109, 111-112, 432, 452, 598, 602, 674, 847, 1393, 1543-1545, 1547, 1550-1551, 1558
Fuchs and Sevignani 817-818, 824, 827

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G

Game Theory 41-42, 46-50, 54
Games for Change 870
Gandhi, Mahatma 882-886, 889, 891, 895, 902-903
Gender Awareness 166-167, 170
Gender Discrimination 31, 491, 937, 1111, 1293, 1299, 1305, 1371, 1373-1374, 1388, 1393
Gender Equality 29, 155-156, 158-159, 161, 166-167, 170, 386, 654, 948, 1299, 1303, 1372, 1374, 1376-1377, 1394, 1415, 1423, 1428-1429, 1615, 1618-1620, 1656, 1659, 1662-1663, 1666, 1668-1670, 1672-1673, 1681
Generational 239, 241-242, 708, 1660
Gini Coefficient 34, 554, 557-559, 561-562, 564, 566, 572, 574, 844, 947-948
GIS 687-690, 695-697, 699, 1102, 1106-1107, 1110, 1112-1113, 1122-1125, 1130-1131, 1133
Global City (World City) 1635, 1641-1643, 1651, 1654, 1694
Global Economy 2, 10, 14, 210, 424, 430, 802, 904-905, 913, 955, 963, 971, 1023, 1181, 1208, 1234, 1337, 1417, 1433, 1435, 1444, 1632, 1638, 1645, 1647, 1649-1651, 1686-1687, 1696, 1698
Global Factors 1246, 1612
Global Financial Crisis 422, 435, 445, 450, 841, 843, 1317-1321, 1323, 1325, 1327-1328, 1331, 1428, 1430, 1434, 1438, 1528
Global Market 1, 5-8, 11, 18-20, 22, 613, 814, 1050, 1206, 1210, 1687, 1695
global warming 1235, 1357, 1658
Globalization 1-2, 8, 22, 25, 28-29, 43, 180, 223, 227, 280, 282, 284, 313, 432, 450, 461-462, 559, 572, 669, 805, 930, 935, 943-944, 963, 1022-1023, 1028, 1042, 1050, 1053-1054, 1062, 1082, 1183, 1211, 1260, 1279, 1340, 1416, 1432, 1561, 1567, 1569, 1578, 1587-1588, 1632-1634, 1644, 1649-1650, 1654, 1666, 1686-1687, 1692-1695, 1697-1698
Glocalization 1640, 1650, 1654
Good Governance 332-333, 508, 664, 672, 749, 839-841, 844, 847, 849, 1232, 1409, 1498, 1525, 1678-1682, 1685
Governance of Migration 1612
Government Program 47, 999, 1149
Government Support 113, 118, 186, 191, 414, 639, 749, 950, 1009, 1015, 1146, 1432, 1489, 1538
Grameen Bank 59, 72-73, 133, 142, 171, 173, 175-176, 178, 182-186, 190-191, 195, 340, 344, 350, 488, 498, 576, 775-776, 778-780, 782-783, 788, 927, 937, 978, 1318, 1333
Grassroots Innovation 687
Green Revolution 961, 973, 1250
Gross Domestic Product (GDP) 11, 22, 329, 339, 484, 648, 664, 947, 949, 1043, 1338, 1390-1392, 1411, 1499
Group Lending 188, 591, 779, 927, 933

H

Hadith 504, 514, 1569-1570, 1575, 1581
Handicrafts 141, 163, 486, 492, 784
Healing 595, 703-704, 707-710, 712, 714, 1511, 1518
Historical Materialism 974
Hope 60, 172, 179, 235, 349, 703-710, 712-714, 716, 719, 721, 724, 875, 949, 1009-1010, 1016, 1064, 1074, 1110, 1140-1141, 1181, 1229, 1235, 1270, 1435, 1615, 1622, 1624-1625
Host Community 1162, 1178
Housewife 999-1001, 1004, 1007, 1663
Human Agency 831
Human Development 22, 44, 260-262, 468, 483-485, 487-488, 490-491, 502, 506, 568, 647, 668, 687-690, 692-695, 698-700, 838, 841, 843-844, 854, 1007, 1141, 1208, 1294, 1299-1301, 1304, 1356, 1366, 1372, 1378, 1393, 1400, 1568-1569, 1616, 1681
Human Rights and Democracy 1512, 1516, 1520, 1523
Hunger 31, 42, 158, 256, 258, 260, 262, 538, 540, 705, 752, 754-755, 838, 841, 843, 847-849, 851-852, 859-861, 864, 946, 1021, 1102, 1110, 1140, 1145, 1180, 1206, 1225, 1295-1296, 1303, 1356, 1374, 1377, 1410-1411, 1415-1416, 1423, 1429, 1529, 1564, 1624

I

Identity 7, 61, 91, 93-95, 97-98, 100-101, 108, 164, 188, 203, 300, 329, 374-375, 515, 518-521, 527, 529, 536, 594-595, 597, 600, 708-709, 714, 724, 730, 732-734, 736-739, 741-742, 821, 824, 829-830, 867, 869, 873-874, 908, 913, 972, 1084, 1281, 1294, 1359, 1390, 1404, 1407, 1506, 1512, 1519, 1522, 1524-1525, 1527, 1687
Ideology 71, 279, 366, 368, 372, 375, 538-541, 543, 545, 547, 602, 817-818, 822-825, 828-831, 836, 871-873, 932, 1335, 1514
Immigration 277-289, 294-297, 299-301, 740, 963, 1229-1230, 1495, 1505-1506, 1611, 1691, 1694
Impact Assessment 71, 767
Inbound Tourism 816, 1501

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Inclusive Growth 24, 30, 480-481, 1205, 1214, 1528, 1532-1534, 1538, 1541, 1563, 1569
Income Generation 71, 403, 590, 749, 1014, 1016, 1021, 1061, 1170, 1208, 1396-1398, 1422
Income Inequality 262, 344, 554-555, 557, 559-562, 564, 566, 568, 570-572, 574, 664, 666, 842, 845, 847, 864, 922, 1043, 1103, 1139, 1146-1147, 1152, 1318, 1418, 1437, 1534, 1536, 1545, 1572, 1661
Independent Directors 332-333, 339
Indigenous People 968, 970, 974, 1234
Industrialization 1, 11, 14, 23, 224, 258, 314, 317, 323, 325, 450, 452, 486, 755, 957, 960, 966, 974, 1031, 1078, 1233, 1246, 1355, 1359, 1362, 1366, 1409, 1419, 1523
Influx Control 1229, 1232, 1246
Informal Institutions 109, 111-112, 118, 430, 432, 434, 452, 674, 1543-1544, 1547, 1549-1551, 1558
Information And Communication Technology (ICT) 198, 202-207, 209-212, 638-640, 642-645, 647, 649-650, 653-655, 661, 843, 850, 871, 922, 930, 1066-1067, 1071, 1100, 1179, 1181-1185, 1187, 1189-1199, 1203, 1238, 1255-1256, 1263, 1579, 1679-1680, 1682, 1685
Information Society 196-201, 203-209, 211-215, 220, 821, 1179-1180, 1182, 1197, 1203
Institutional Cooperation 1466, 1469, 1481, 1488
Institutionalization Process 1562, 1566, 1586
Intercity 793-797, 799, 1032
Intergovernmental Relations 1142-1146, 1151, 1154
International Economic Relations 279-280, 301, 641, 653, 1022, 1036, 1686-1687, 1694, 1697-1698
International Integration 423, 1022, 1054, 1633, 1698
International Labor Migration 1601-1602, 1604, 1609, 1686-1689, 1692-1698
International Labour Migration 301-302
International Law 1505
International Migration 277-278, 282, 296, 299, 1023, 1489, 1492, 1497, 1587, 1600-1602, 1605, 1609, 1612, 1686-1697
International Tourist 803, 808-809, 811, 816, 1490
Intersectionality 90-91, 94-95, 730, 734, 741-742
Intra-Ethnic Conflict 63, 66
Irregular Migration 1505

J

Job Creation 223, 225-226, 228-229, 352, 423, 641, 946-947, 950, 952, 972, 1140, 1205, 1214, 1244, 1335, 1494, 1498, 1515
Justice-Oriented Citizen 624, 637

K

Kenya 56, 59, 62-63, 156, 488, 629, 756, 1011, 1065, 1071-1072, 1074, 1091, 1297, 1300, 1337, 1492, 1508-1509, 1515-1517, 1519, 1523-1524, 1529, 1531, 1533
kiosk 1009-1010, 1013, 1015-1019, 1621, 1625
KIVA 83, 85, 171, 173, 175, 178, 186-191, 195, 921-922, 925-938, 941

L

Labor Market 25-26, 28, 30, 34, 224, 228, 280, 283-286, 290, 293, 295-296, 298-299, 613-614, 618, 957, 972, 993, 1032, 1062, 1302, 1515, 1587, 1608, 1688, 1690, 1692-1696, 1699
Labor Productivity 299, 1026, 1515, 1532, 1590-1591, 1599, 1608, 1647
Labour Market Deregulation 222-223, 228-229
Labour Migration 223, 301-302
Land acquisitions 1159-1161, 1164, 1205, 1207-1211, 1213-1214, 1226
Land dispossession 1206
Land Grabbing 1206, 1212, 1215, 1226
Large Scale Agricultural Business 1174-1175, 1178
Large-Scale Land Acquisitions 1160, 1171, 1178, 1206-1209, 1212, 1214, 1226
Latin America 2, 10, 67-69, 74-77, 79, 81, 84-85, 164, 175, 320, 340, 347, 759-760, 874, 928, 959, 1063, 1208, 1301, 1322-1323, 1411, 1432-1434, 1595, 1599, 1635, 1638, 1689
Leakage 664, 812, 846, 1490-1493, 1498
Lending Teams 188, 191, 195, 933-934
Lerner 56-58, 1180
Lesotho 1229, 1244, 1342, 1390-1398, 1400, 1403-1404, 1407, 1491
Life Expectancy 14, 44, 179, 259, 261-262, 270, 275, 484, 1153, 1230, 1241, 1297, 1436
Linkage 116, 313-315, 318, 462, 464-465, 842-843, 1320, 1327, 1333, 1447
Loan Agreement 591
Loans 73-74, 79-82, 84-85, 142-144, 173-177, 182-183, 185, 188, 190, 227, 279, 315-316, 348, 351, 354, 433, 488, 502, 516, 576, 578-582, 584-586, 590, 774-777, 779-780, 782-787, 791-792, 924, 926-928, 933-938, 942, 1003-1004, 1074-1075, 1159, 1209, 1231, 1317, 1319, 1323, 1327, 1340, 1344, 1375-1376, 1400, 1429, 1434, 1519, 1623, 1625, 1628

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Local Government 34, 69, 640, 958, 1035, 1040, 1105, 1139, 1143, 1154, 1229, 1246, 1379, 1393, 1466-1468, 1481, 1488, 1496, 1501, 1522, 1646, 1650, 1654, 1680-1681, 1685
Local Self-Government Institutions 1466, 1470, 1488
Long-Term Migrant 1506

M

Marginalized 43, 97, 132, 136, 141, 592, 594, 597, 600, 602, 610, 630, 713-714, 724, 736, 778, 844, 951, 962, 1011, 1144, 1152, 1186, 1203, 1303, 1377, 1407, 1415, 1529, 1615, 1618-1620, 1627-1628
Marx 819, 823-826, 831, 1283, 1286, 1288, 1588-1589
Mdgs 158, 654, 754, 762, 949, 1069, 1153, 1292, 1295-1296, 1299, 1311, 1334-1335, 1337, 1343, 1345, 1372, 1384, 1417, 1618-1619
Meaning-making 90-91, 97-98, 101, 729-730, 736-742
Mediation 64, 818-820, 831, 836, 890-892, 902, 1402, 1510-1511
Micro Credit 582, 586, 773, 775-777, 779, 1319
Micro Credit Concept 773
Micro Savings 591
Microcredit 74, 131-132, 140, 142, 144, 173-176, 227, 229, 340-341, 343-351, 353-354, 357-358, 576, 578-581, 586, 591, 774-776, 779, 785, 787, 792, 921, 926-928, 935, 937, 978, 1318, 1323
Microenterprise 81-82, 586, 591
Micro-Enterprises 79, 222, 225, 227, 229, 486, 928
Micro-Entrepreneurship 910, 913
Microfinance 67-68, 70, 72-81, 83, 85, 114, 133, 142, 144, 171-176, 178, 181-182, 186-188, 191, 195, 340-345, 347, 349-351, 353, 356-357, 359, 575-582, 584, 586-587, 590-591, 773-788, 791-792, 921-928, 930-931, 933-935, 937-938, 941-942, 1298, 1317-1325, 1327-1328, 1331, 1333, 1372
Microfinance Institutions (Mfis) 68, 74-75, 77-81, 83-84, 172-176, 178, 181-182, 186-187, 191, 195, 341-342, 347, 359, 575-577, 579, 582, 584, 587, 773-774, 777-779, 782, 784, 786-787, 791, 927-928, 931, 934, 937, 1298, 1317-1318, 1321-1323, 1325, 1327-1328, 1333, 1372
Microloan 591, 784, 936-937
Migrant 99, 224, 280, 286, 293, 301-302, 739, 797-798, 1228-1229, 1244, 1246, 1392, 1394, 1400, 1498, 1500, 1502, 1505-1506, 1601-1604, 1608, 1611, 1691-1693
Migration 15, 45, 223, 277-302, 688, 794, 797-799, 944, 956-964, 967, 971, 1023, 1034-1035, 1052, 1062, 1108, 1227-1231, 1234-1235, 1240, 1242-1243, 1246, 1281, 1303, 1394, 1438, 1489-1500, 1502, 1505, 1507, 1512, 1523, 1587, 1600-1605, 1608-1609, 1611-1612, 1686-1698
Migration Policy 277, 279, 281-283, 294, 296, 298-300, 1609, 1694
Mobile Activism 628-629, 631-632, 637
Mobile Application 602, 637
Mobile Apps 623-624, 628-632, 1089
Mobilization 92-93, 100, 179, 363, 731-732, 739, 780, 787, 830, 872-873, 960, 1013, 1031, 1146, 1202, 1215, 1249, 1252-1254, 1259-1260, 1270, 1296, 1317, 1343, 1562, 1615, 1634
Monotown 1040
Motivation 58, 115-116, 119, 271, 292, 374, 388, 417, 425-427, 518, 529, 600, 603, 644, 666, 779, 843, 872, 978, 1188, 1198, 1255, 1263, 1268, 1468, 1570, 1682
MRA 787, 791
Multi-Criteria Analysis 1466, 1471, 1476, 1478, 1481, 1487-1488
Multinational Enterprise 1558
municipal governance 1022
Municipalities 385, 632, 951, 1027, 1039, 1141, 1153, 1229, 1231, 1242, 1246-1247, 1468, 1470-1474, 1514

N

National Development 60, 382, 485, 488, 498, 638, 640, 645, 647-649, 652, 662, 811, 943, 945-946, 948, 1014, 1026, 1036, 1140-1141, 1305, 1311, 1374, 1396, 1519, 1536, 1681
Need Analysis 276
Negotiation 227, 709, 890-892, 902-903, 1519, 1544
Networking 113, 132, 202, 204, 211-213, 219, 389, 414, 602-603, 625-626, 629-630, 632-633, 737, 822, 828, 836, 876, 932, 985, 1002-1003, 1005, 1031, 1102, 1112, 1132-1133, 1192-1193, 1249-1251, 1255, 1257-1261, 1267, 1269, 1278, 1306, 1380, 1546, 1560, 1562, 1569, 1576, 1579-1581, 1636
Nigeria 56, 61-63, 162, 484, 638-656, 753, 779, 1065, 1067, 1071-1072, 1074-1075, 1159, 1161, 1168, 1178, 1240, 1261, 1337, 1342, 1508-1510, 1519-1524, 1659
Non-Financial Institutions 773-774
Non-Governmental Organizations (Ngos) 29, 774, 791, 1012, 1298, 1372
Nonviolence 882-889, 895, 902-903

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O

Occupational 31, 108, 199, 202-204, 207, 214, 220, 280, 798, 1010, 1032, 1173, 1208, 1281
OLI Paradigm 428-429, 432, 459
Open Data 748-751, 753, 757-759, 761, 763-764, 766-767
Oramedia Model 60, 66
Orphans 506, 1009-1012, 1014-1015, 1018-1019
Outbound Tourism 816, 1490, 1499
Overlapping Borrowers 785-786, 792

P

Panel Data 303-304, 310, 578, 1331, 1360, 1547, 1551
Paradox 830, 1060-1061, 1063, 1078, 1082, 1146, 1344, 1633
Participatory Action Research 99, 596-597, 689-690, 692, 697, 699-700, 709, 739, 1127
Participatory Citizen 624, 627, 637
Participatory Culture 598, 611, 740
Participatory Paradigm 55, 58, 66
Participatory Video 687-688, 691
Passenger 793-796, 799, 1068, 1506, 1636, 1649-1650
Passenger Flows 793, 796, 799
Passport 1505-1506
Patriarchal System 155, 163, 165-167, 170
Patriarchy 155-156, 163-167, 170
Peace 55-56, 59, 61, 63, 65, 155-156, 503, 514, 555, 775, 882-884, 886, 892, 894-895, 902-903, 921, 1195, 1197, 1199, 1379, 1393, 1493, 1510, 1514, 1624
Peace Studies 882, 903
Peer-to-Peer Micro-Lending 925-928, 931, 933-934, 942
PepsiCo 461, 465-466, 470-473
Perseverance 710, 997, 1003
PEST analysis 179
Political Consumption 362-375, 1656, 1658-1660, 1662-1664, 1666-1667, 1670-1671, 1677
Political Economy 58, 667, 670, 826, 830, 836, 1493, 1696
Political Economy of Media 836
Political Efficacy 366, 368, 372-374, 1664, 1666-1667, 1677
Pooled and Panel Data 1331
Pooled data 1331
Pooled Ordinary Least Squares 1321, 1331
Poor and Needy 1560-1562, 1564-1572, 1575-1578, 1580-1581, 1586
Population Growth 170, 226, 285, 287, 292, 483, 485, 498, 647, 798, 944, 960, 967, 1063, 1103, 1205, 1207, 1214, 1241-1242, 1355-1359, 1362, 1366, 1412, 1508-1509, 1511, 1514-1515, 1518-1519, 1522, 1524-1525, 1534, 1690
Population Mobility 282, 793-795, 798-799, 957, 963, 966-967, 1037
Poverty Alleviation 9, 20, 67, 71, 73, 75, 84, 142, 225, 227, 460, 462, 464, 467-468, 472, 485-486, 506, 566, 568, 571, 578-579, 641, 648, 654, 774, 784, 786, 788, 792, 807, 809-810, 841, 847, 923, 927, 931-932, 945, 947, 952, 996, 1013, 1104-1105, 1298, 1311, 1317-1320, 1327, 1333, 1372, 1377, 1389, 1394, 1428, 1434, 1437, 1529, 1560-1565, 1567-1573, 1579-1581, 1678, 1680-1682, 1685
Poverty Dynamics 303-304, 307, 310
Poverty in Context of Bangladesh 498
Poverty in Turkey 41, 44, 49, 54
Poverty Intelligence 1560, 1562, 1564, 1567, 1576-1577, 1580-1581, 1586
Poverty Line 14, 23, 28-29, 31, 34, 40, 42, 44, 54, 76, 171-172, 175-176, 180, 258, 275-276, 345, 461, 463, 469, 484, 492, 576, 616, 648, 715, 762, 774, 782, 784, 846, 850-852, 854, 924, 947-949, 995-996, 1063, 1109, 1233, 1294, 1297, 1299-1300, 1302, 1320, 1325, 1345, 1410-1411, 1431-1432, 1564, 1616, 1682, 1685
Poverty Measures 843, 947, 1327, 1331, 1586
Poverty Reduction 2, 14, 69, 71, 74, 84, 161, 225, 227, 343-344, 347, 349-350, 386, 452, 469, 481, 575-582, 586-587, 640-641, 648, 775, 808-809, 816, 846, 904-907, 947, 1013-1014, 1016-1018, 1021, 1043, 1054, 1062-1063, 1070-1071, 1087, 1208, 1214, 1292-1296, 1298-1299, 1302, 1310, 1318-1319, 1338-1339, 1377, 1383, 1388, 1393, 1403, 1408-1409, 1416-1417, 1421-1423, 1529, 1532, 1563, 1567, 1569-1570, 1626-1627, 1679
Poverty Trap 292, 577, 1014, 1159, 1299, 1304, 1311, 1376, 1384, 1388
Presco Industries 1159-1160, 1164, 1172, 1174, 1176
Principled and Spiritually-Based Nonviolence 882-883, 886, 902-903
Professional Development 232-234, 241, 244-245, 247-248, 254-255, 388, 409
Project Concern International (PCI) 1615
Pro-Poor Tourism (PPT) 809, 816, 1087
Pros-User 836
Public Participation 868, 1113, 1203
Public Transport 392, 793, 949, 1093, 1375

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Pull Factors for International Migration 1612
Push Factors for International Migration 1612

Q

Qualitative 95, 201, 269, 292, 384, 400-401, 408, 452, 507-508, 518, 579, 581, 668, 734, 737, 777, 910, 933, 1033, 1054, 1133, 1282, 1287, 1336, 1479, 1509, 1511, 1588, 1608, 1621, 1642, 1681, 1686-1687, 1696
Quran 502-505, 507, 514, 1284, 1561, 1564-1565, 1571, 1574, 1586

R

Random Effect Panel Regression 1327, 1330-1331
Real Time 630, 869, 874, 934, 1130, 1133, 1250, 1252, 1258-1259
Recession 256, 262, 286, 295, 320, 334, 784, 841, 843, 943-947, 952, 955, 1037, 1298, 1328, 1429-1430, 1433-1437, 1500
Recommendation 191, 480, 482, 492-494, 586, 656, 951, 992, 1343, 1575
Reengineering 155, 166, 170
regional tourism 1491, 1507
Relationship-building 91, 93-94, 100, 729, 731-733, 737, 741
Relative Poverty 25, 31, 34, 258, 276, 554, 561, 565-566, 571-572, 574, 1294, 1301
Religion 61, 505, 507, 509, 519, 672, 680, 885, 894, 978, 1142, 1283-1284, 1287, 1399, 1404, 1510, 1522, 1527, 1665, 1672, 1693
Research-Intensive Clusters (RICs) 1040
Residential Segregation 964, 974
Retail 57, 71, 286, 460-465, 470, 472-473, 715, 775, 962, 1024-1025, 1086, 1210, 1307
Role Of Government 461, 943-944, 950-951, 955
Rubin Causal Model 310
Rural Area 471, 763, 995, 1059, 1185, 1682
Rural Development 9, 161, 485, 781, 951, 1013-1014, 1041-1043, 1045-1053, 1140, 1144, 1185, 1187, 1190, 1194-1195, 1197-1198, 1393, 1529, 1536, 1678-1682, 1685
Rural Information Officers Corps (RIOC) 60, 66
Rural Poor 469-471, 488, 580, 763, 778, 782, 961, 1209, 1240, 1293, 1333, 1392, 1679
Rural Poverty 68, 961, 1014, 1048, 1059, 1181-1182, 1208, 1233, 1318, 1325, 1393, 1494, 1680, 1682
Rural Tourism 804, 1053
Russia 277-280, 282, 284-286, 289-290, 292-294, 296-299, 328, 484, 883, 930, 1022-1038, 1040, 1046, 1052-1054, 1089, 1206, 1209, 1542-1544, 1547-1551, 1553, 1592, 1597, 1604-1605, 1608, 1635, 1642-1643, 1649, 1651, 1696

S

SAARC Countries 838, 843, 847-861, 864
Savings 12, 46, 49, 142, 174-176, 287, 343, 349, 352, 354, 358, 431-432, 491, 576-581, 587, 590-591, 677, 774-775, 777, 779, 781-785, 787, 791, 922, 924, 930, 1035, 1203, 1232, 1298, 1307, 1319, 1323, 1328, 1331, 1337, 1372, 1382, 1429, 1432, 1499, 1618, 1622-1624, 1627
Schwartz Values 1657, 1659, 1665, 1668-1670, 1672-1673, 1677
Self-Employed 69, 160, 175, 202, 911, 1168, 1178
Self-regulation 243
Self-Reliance 541, 781, 1144, 1151, 1154, 1303, 1305, 1307, 1336, 1343, 1371, 1373-1374, 1379, 1381, 1388, 1418-1419, 1423, 1620
Shahada 503, 514
shrinking cities 956-957, 965-967, 970-971
Slovenia 1442, 1449, 1456-1457
Slum Tourism 1084-1088, 1090-1096, 1100
Small And Medium Enterprises (Smes) 69-70, 79, 84-85, 223, 350, 480-481, 485-489, 495, 498-499, 638-643, 646, 650-654, 661, 679, 930, 1432, 1542-1543, 1547, 1550-1553
Small Business Development 642, 644, 649-650, 653, 662, 951
Small Businesses 72-73, 181, 187, 343, 348, 352, 586, 638-640, 642-646, 649-655, 661-662, 911, 928, 998, 1467, 1622, 1624, 1628
Smallholders 1208-1209, 1214, 1241, 1415, 1530, 1534
SME development 481-482, 489-490, 495
SMEs' Barriers in Bangladesh 499
Social Bricoleur 405, 411-412, 415-416, 420
Social Capital 91, 96, 99, 143, 237, 380, 383, 390, 393, 515, 518-522, 527, 529, 602, 606, 612, 654, 735, 738-739, 847, 869, 928, 1110, 1147, 1544-1546, 1551, 1558, 1561-1562, 1620, 1627, 1696
Social Concern 1455, 1465
Social Constructionist 405, 411-412, 416, 420, 529
Social Creativity 975-976, 989
Social Economy 389-390, 401, 408-409, 411, 413, 827, 943-952, 955
Social Engineer 406, 411, 413, 416, 421

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Social Enterprise 106-107, 110-114, 116-120, 400-401, 403-404, 406-409, 411, 413-417, 420-421, 528, 536, 632, 944, 950-951, 976, 989
Social Entrepreneur 108, 186, 190-191, 400-404, 406, 414-417, 421, 631
Social Entrepreneurship 55, 59-60, 63, 66, 106-108, 110-112, 114-115, 118, 181, 400-406, 408, 413, 415, 420-421, 516, 522, 528-529, 631, 633, 934, 945, 950-952, 975-976, 990
Social Entrepreneurship Paradigm 59, 63, 66
Social Exclusion 23-31, 33-36, 380-381, 390, 392-393, 520, 577, 612-621, 841, 866, 934, 965, 976, 1179, 1184-1186, 1198, 1203, 1436, 1519
Social Finance 522, 528
Social Identity 97, 515, 518-521, 527, 529, 536, 736, 1522
Social Identity Theory 515, 518-520, 529
Social Impact 71, 346, 392, 408, 411, 413-415, 417, 517, 626, 629, 632, 867, 870, 877, 927, 931, 934, 980, 1428, 1430, 1435, 1437, 1542-1544
Social Impact Games 870
Social Inclusion 26, 30-31, 40, 73, 386-387, 390, 409, 615, 619, 621, 876, 947, 1180, 1185-1187, 1197-1198, 1203, 1299, 1372, 1403
Social Innovation 130-141, 143-144, 379-384, 386, 389-393, 400-401, 403-404, 488, 603, 975-980, 983-987, 990
Social Innovation Capital 985, 990
Social Integration 25-26, 40, 612, 1186, 1203, 1511
Social Justice 26, 91-92, 95, 97, 100-101, 141, 260, 502, 592-593, 595, 597-601, 605-606, 611, 628, 632-633, 637, 710, 718, 729-731, 734, 736, 739, 741-742, 866-867, 874, 903, 929, 944, 1105, 1111, 1191, 1304, 1309, 1378, 1383, 1515, 1620
Social Media 59, 91-96, 99-100, 181, 191, 521, 526-527, 539, 542, 546-547, 596, 611, 625-626, 729, 731-735, 737-741, 817-831, 836, 866-869, 871-872, 874, 999, 1001, 1094, 1249-1270, 1278, 1502
Social mission 403-404, 406-408, 411, 416-417, 421, 828
Social Movements 92, 94, 389, 595, 731, 733, 830, 867, 871-872, 874, 877, 1299, 1372
Social Networking 602-603, 626, 633, 737, 822, 836, 1249-1251, 1255, 1257-1258, 1260, 1269, 1278
Social Opportunities 261, 1509, 1515, 1524-1525
Social Policies 27-28, 30, 258, 271, 401, 554-555, 560, 562, 564, 571-572, 574, 935, 1228, 1244, 1278, 1434-1437, 1561, 1620, 1656
Social Practice 132, 592, 605, 1266, 1278
Social Relational Capital 536
Social Reproduction 818, 825-826, 836, 1588
Social Toxins 707, 709-710, 712, 717, 724
Social Transformation 99, 166, 328-329, 380, 593, 625-626, 710, 739, 818, 825, 828, 836, 873, 933, 952, 1263
Social Value 108, 114, 116, 131-132, 138, 180, 383, 402-404, 525, 528, 536, 924, 950, 975, 977, 979, 986-987, 990
Social Value Creation 108, 403, 525, 977
Social Work 41, 48-49, 54, 1468, 1654
Socially-Engaged Buddhism 886, 903
Social-on-Linezation of Poverty 922, 935, 937, 942
social-political change 882-886, 889, 895, 902-903
Socio-Economic Environment 178, 184, 195, 649
Solidarity Economics 591
South Africa 56, 61, 63, 70, 98, 163, 347, 459, 464, 484, 578, 586, 597, 629, 737, 883-884, 930, 943-945, 947-952, 980, 1065, 1067, 1072-1073, 1075, 1084-1085, 1087-1088, 1139-1143, 1145, 1152-1153, 1206, 1227-1231, 1233-1234, 1236-1237, 1240, 1244, 1246, 1307, 1337, 1342, 1381, 1389-1392, 1394, 1400, 1407, 1412, 1416, 1438, 1489-1492, 1494-1502, 1507-1508, 1643, 1659
South Asia 260, 482, 484, 841, 843, 864, 996, 1301, 1317-1318, 1320, 1323, 1325, 1328, 1331, 1411, 1642, 1651
Sovereign Debt 1430, 1432-1433, 1436, 1438
Spatial 109, 196, 204, 209, 214, 220, 279-280, 290-291, 302, 429, 613, 949, 956-960, 962, 964-965, 971-972, 1034, 1102, 1106, 1110, 1112-1113, 1116, 1121-1124, 1131-1133, 1186, 1208, 1497, 1527, 1553, 1564, 1572, 1654
Special Economic Zone 314, 318, 324, 1205, 1211, 1226
Sponsorship 402, 409, 1034, 1448, 1506
State-Owned Enterprises 315, 433, 1144, 1206
Statistical Analysis 749-750, 754, 763, 766, 1468, 1472, 1488
Strategic Development Paradigm of Bangladesh 485, 499
Strategic Nonviolence 882-883, 889, 895, 903
Struggle Against Poverty 41, 45, 48-50, 54, 344
Sunnah 502-504, 507, 514, 1564
Suqia 509, 514
Sustainability 15, 139, 175, 187, 223, 278, 341-342, 346-347, 359, 380-382, 390, 401, 406, 408-417, 421, 466, 501, 504, 509, 527, 654-655, 688, 693, 698, 780-782, 787, 791, 793, 798-799, 811-812, 816, 944, 946, 952, 976, 986, 1042-1043, 1048-

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1049, 1051-1052, 1070, 1079, 1105, 1110-1111, 1132-1133, 1149, 1228, 1231, 1238, 1244, 1246, 1307, 1319, 1335, 1381, 1399, 1416, 1442-1447, 1453, 1455-1456, 1465, 1499, 1562, 1568, 1623, 1626-1627, 1697
Sustainable Development 132, 141, 158, 329, 344, 379-382, 385, 390, 392-393, 401, 417, 612, 616, 638, 640-641, 647-648, 651-654, 656, 662, 688, 700, 785, 793, 799, 810-811, 813, 816, 903, 947, 949, 1059, 1103, 1180, 1189, 1203, 1240-1241, 1343, 1409, 1423, 1442, 1446-1447, 1619
Sustainable National Development 60, 638, 662
Sustainable Tourism 810-812, 816
Switching Endogenous Model 305
SWOT analysis 171, 178, 185, 189
Symbolic Capital 519, 527, 529, 536, 1031
Symbolic Convergence Theory 515, 529
Systematic Approach 1694, 1696-1697, 1699

T

Teacher Education 233-234, 237, 241, 244
Technological Utopia 817-818, 836
Technological Utopianism 819, 823
Tele-Connection 1226
Terrorism 18, 289, 859, 1493, 1501, 1512, 1520
Thailand 11, 166, 448, 451, 461, 483, 578, 845, 850-851, 905, 907, 909-912, 1269, 1432, 1438, 1501, 1605, 1608, 1649
The Ranally City Rating System 1654
Tourism 180, 286, 489, 784, 802-814, 816, 854, 904-907, 909-914, 963, 967, 972, 1053, 1084-1088, 1090-1096, 1100, 1105, 1208, 1280, 1298, 1414, 1489-1500, 1502, 1507, 1635, 1643-1644
Trade in Food 1044, 1046, 1053-1054
Trade Integration 1041, 1043, 1045-1046, 1048-1050, 1052-1054, 1059
Trade Liberalization 20, 22, 464, 472, 613, 751, 1041-1043, 1045, 1047, 1054, 1059, 1408, 1415-1416, 1418, 1421-1423
Transfer pricing 1334, 1336-1339, 1345-1346
Transformative Learning 1304, 1378-1379, 1388
Transit 966, 1031, 1109, 1341, 1492, 1494, 1505-1506, 1642, 1654
Transit Passengers 1506
Transit Visa 1506
Transition 204-205, 209, 213, 215, 260, 278-280, 290-292, 306-307, 325, 349, 432, 452, 459, 464, 613, 653, 670, 673, 677, 688, 779, 787, 820, 829, 842, 949, 957, 960, 962, 966, 984, 1028-1029, 1033, 1036, 1042-1043, 1045-1046, 1048, 1050-1051, 1053-1054, 1059, 1214, 1229, 1240, 1263, 1357, 1417, 1544, 1592, 1635, 1642-1643, 1687, 1691
transnationalization 1636, 1644, 1686-1687, 1697
Transportation 8, 114, 204, 210, 271, 301, 387-388, 390, 465, 470, 489-490, 499, 760, 794, 796, 799, 973, 1028, 1032, 1043-1045, 1062, 1074, 1082, 1109, 1115, 1122, 1164, 1357, 1411, 1490, 1499, 1505-1507, 1522, 1548, 1654, 1693
Trauma 235, 242-243, 540, 542-543, 547, 707, 712-713, 715, 717, 1014
Travel Documents 1506
Traveller 1506
Tunisia 179, 303-304, 307, 310, 1065, 1067, 1250, 1252, 1256-1258, 1260, 1266, 1268, 1659, 1680
Turkey 23-24, 31, 33-34, 36, 41-42, 44-45, 48-49, 54, 57, 256-258, 260-263, 271, 459, 461, 484, 491, 501, 554-555, 559-562, 564, 566, 568-572, 574, 1602-1603, 1644
Twitter 96, 521, 546, 597, 629, 735, 753, 820, 822, 871, 1094, 1249-1255, 1257-1266, 1268-1270

U

United Nations 3, 9, 25, 44, 57, 155-156, 158-161, 180-181, 223, 225-226, 256-257, 262, 275, 278, 341, 343-344, 352, 469, 483, 628-629, 647, 665, 671, 677, 753, 761, 798, 802, 810, 816, 902, 928, 1012, 1041, 1049-1050, 1063, 1103, 1124, 1141, 1151, 1184, 1206-1207, 1229, 1241, 1292, 1295-1296, 1299, 1301, 1307, 1337, 1355-1356, 1361, 1372, 1374, 1377, 1382, 1393, 1395, 1409-1410, 1415, 1429, 1438, 1493, 1498, 1501, 1517, 1614, 1682
Unselfishness Values 112, 116-118, 120
Uprising 1252, 1256, 1258-1259, 1261, 1269
Urban Area 1110, 1527, 1685
urban business system 1632-1633, 1647, 1650
Urban Economics 1039, 1654
Urban Governance 1028, 1031-1033, 1061-1062, 1083, 1647, 1649
Urban Growth 313-314, 793, 799, 1061, 1064-1065, 1083, 1227, 1230, 1233, 1522
Urban Planning (Urban, Merged Urban Regions, Regional, City, and Town Planning) 1113, 1232, 1654
Urban Revolution 1060-1061, 1063, 1078-1079, 1083
Urban Sustainability 380, 793, 798, 1133
urban system 1022, 1027, 1032-1034, 1037-1038, 1514, 1518, 1522, 1644
Urban Youth 594, 703-714, 716, 721, 724

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Urbanization 15, 223, 313-315, 317-319, 321, 324-325, 483, 612, 793, 798-799, 841, 956, 959-960, 962-963, 972, 1031, 1034, 1061-1064, 1078-1079, 1083, 1085, 1180, 1207, 1228-1229, 1231-1233, 1280, 1287, 1303, 1355-1359, 1361-1362, 1366, 1508, 1511, 1515, 1518-1519, 1522, 1524-1525, 1632, 1634

V

Vietnam 13, 161-163, 422-424, 426-427, 429-436, 439-440, 442-452, 459, 484, 486, 1529
Violence 55-57, 59, 63-64, 132, 156-157, 161-162, 165-166, 223, 235, 385, 629-630, 675, 688, 704, 706-707, 838, 843, 849, 858-861, 884, 889, 895, 903, 958, 1087, 1094, 1128, 1141, 1286, 1293, 1307, 1309, 1373, 1382, 1399, 1492, 1497, 1501, 1508-1512, 1514, 1516-1520, 1522-1524, 1527, 1615, 1618, 1620
Visa 1490, 1492-1493, 1498-1499, 1501, 1505-1507, 1603
Visualization 629, 748-751, 753, 755-761, 763-768, 1133
Vulnerable Children 1010-1012, 1021

W

Wealth 11, 25, 46, 108, 175, 206, 208, 214, 224, 259, 262, 287, 329, 404, 406, 412, 420, 500-506, 509, 514, 555, 557, 611, 650, 667-668, 673, 820, 839, 864, 904-907, 913-914, 934, 945, 949, 966, 976, 1060-1063, 1078-1079, 1083-1084, 1103, 1105, 1142, 1161, 1203, 1206-1207, 1209, 1211-1212, 1299, 1307, 1336, 1339-1340, 1342, 1366, 1372, 1380, 1413, 1423, 1432, 1437-1438, 1490, 1516, 1523, 1529, 1532, 1534, 1544, 1561, 1565, 1572, 1577, 1596, 1615, 1657, 1694
Weights Assessment 1478, 1488
Welfare Benefits 538-539
Welfare State 25-26, 29, 40, 47, 541, 544, 547, 555, 621, 971
Women Entrepreneurs 468-469, 791, 999, 1293, 1299, 1306, 1310, 1371, 1373, 1380, 1383, 1388
Women in Development 1013, 1292, 1295, 1304-1306, 1371, 1375, 1377, 1380
Women's Empowerment 155, 157-163, 166-167, 170, 385, 472, 1299, 1303, 1372-1374, 1377, 1389, 1393, 1395, 1402-1404, 1614-1615, 1619-1621
Working Class 208, 239, 241, 1661
World Bank 11-15, 57, 68, 78, 155-156, 158-160, 175, 258, 261, 263, 315, 318, 341, 346, 350-351, 354-356, 381, 423, 432, 435, 451, 482-486, 561, 650, 663-664, 669-672, 675, 753, 762-763, 839-841, 845, 847-848, 855-858, 922-924, 931, 995-996, 1008, 1010-1012, 1014, 1061, 1071, 1074, 1208-1209, 1211, 1213, 1294, 1296-1303, 1305, 1320, 1333-1335, 1345, 1372, 1375, 1410, 1412, 1418, 1420, 1429, 1432, 1434, 1490, 1523, 1528-1529, 1531-1534, 1536, 1538, 1551, 1560, 1563-1564, 1567-1570, 1572, 1576, 1580, 1594, 1602, 1604, 1616-1617, 1645, 1680-1681
World Tourism Organization (UNTWO) 816
World Trade Organization 1, 5, 433, 1043, 1416

Y

Youth 90-101, 212-213, 492, 592-596, 598-606, 611, 623-624, 626-628, 631-633, 653, 703-721, 724-725, 728-742, 866, 868, 871-872, 876, 947, 949, 991, 999, 1008, 1010, 1013-1014, 1019, 1089, 1141, 1147, 1150, 1165, 1171-1173, 1175, 1244, 1253, 1257, 1333, 1395, 1434, 1523, 1617, 1624, 1626, 1628
Youth Agency 594-595, 611
Youth and Community Work 866, 876
Youth development 91, 101, 595, 601, 729-730, 741-742
Youth Engagement 90-95, 97, 99-101, 603, 729-734, 736-738, 740-742, 866
Youth leadership 602
Youtube 96, 187, 521, 599, 735, 820, 874, 1133, 1249-1252, 1258-1259, 1264-1265, 1270

Z

Zakat Institutional Learning 1576, 1586
Zakat Institutions 508, 1560-1567, 1569-1581, 1586
Zakat Outreach 1564, 1575, 1586

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