IMPACT OF THE FACTORS OF THE SOCIAL CAPITAL OF ZEMGALE REGION ON THE DEVELOPMENT

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Abstract
In the regions of Latvia there still exists a large unused resource – social capital (SC). Ineffectively implemented development policies, population’s alienation from the state democratic institutions, a low level of non-governmental engagement and SC, lack of resources in the local government sector, increased emigration, civic cynicism, low conditions of the prestige of the political profession have facilitated the development differences among territories.

The research goal: comparison of the social capital of Zemgale region, towns and districts. Monographic analysis and method of synthesis, data statistical research methods – grouping, comparison, the processing and interpretation of statistical data – the method for analyzing aggregate indicators, was used in the article. The research discovers the SC at the micro-level – the collaboration and attitudes between citizens and the state as well as in-between the individuals themselves, along with the macro-level – interaction of social groups as a part of a network which helps create trust to local government bodies as well as the state. The study indicates that the development of the Zemgale region is impacted not only by such social capital factors as the population density in the districts (0.37), the number of population until the working age (0.55), but also by the factor education level of the deputies (2009-2013) between the districts (0.12), towns (0.41), and the whole region (0.14). This verified the assumption that higher education level implies higher social potential and more active social inclusion. The authors suggest the local-governments to devote increased funding to the NGOs as it is the most active form of social capital, thus ensuring a long-term development of such initiative groups.

Key words: regional development, social capital, influencing factors.

Introduction
The social and economic differences between the regions are significant (NAP, 2012). E. Šumilo, T. Subbotina (2002), V. Locāne, R. Spāde, P. Šķiņķis (2007) and B. Bela et al. (2013) define regional inequality explaining it as the access of individuals and groups to education, health care, social security, material welfare and political engagement. The reasons for arising differences are an ineffectively implemented development policy, alienation between the population and the state structures and a low level of social capital (SC). The phenomenon has negative consequences – increased emigration, development impediment, civic cynicism and low prestige of the political profession.

In Latvia, there are few publications and little research on SC, and even less about its use in evaluating the use of SC in fostering regional development (Garleja, 2006; Igaune, 2010), but this research could facilitate benefits at both local government and regional level. The research goal: comparison of the social capital of Zemgale region, towns and districts.

To attain the research goal, the following objectives were set: 1) to establish the essence of SC from the regional aspect; 2) to compare SC influencing factors.

Materials and Methods
The research analysed the indicators of Zemgale region, its 20 districts and two largest towns – Jelgava and Jekabpils: the number and the density of the permanent residents; the proportion of the population until the working age, at the working age and over the working age; the number of economically active businesses; gross salary; revenues of the consolidated budget of Latvia and local governments; the number of non-governmental organizations; the population’s activity during the elections of local governments, the level of education of the deputies of towns and districts.

The research considered changes in the number of societies and foundations, using the term ‘non-governmental organizations’ (NGOs).

The data of the Central Statistical Bureau (CSB) of the Republic of Latvia, the information available on the webpage of the Central Election Commission (CEC) of Latvia and the publicly available information about the budgets of the local governments of districts and the two largest towns (SRDA, 2017) were used as informative basis to conduct the research. The data available from the CEC about the education level of the deputies elected during the elections of 2009 – 2013 in Zemgale region were analysed.

Research methods: Content analysis of literature and internet resources was conducted to prepare this scientific paper; the selected data were processed and interpreted applying statistical data processing and interpretation – aggregated indicator analysis method. The analysed period was the years 2009 – 2016.

Research limitations: To compare, the average indicators of Latvia were used: the number and density

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of the permanent residents; the proportion of the population until the working age, at the working age and over the working age; the number of economically active businesses; gross salary; revenues of the consolidated budget of Latvia and local governments; the number of non-governmental organizations; the population’s activity during the elections of local governments.

Results and Discussion
The essence of social capital


SC possesses the significant advantages given to an individual, a family or a group by better contacts (Zīverte, Austers, & Zilinska, 2003). In other words, it is a private and a social benefit and it can also be defined as a unified approach.

The authors’ research emphasises the approach of social benefit. At the public level, SC is the people’s ability to work together in groups and organizations to attain shared goals. SC refers to the characteristics of social organizations, such as trust (Putnam, 1995; Fukuyama, 2001). These conclusions correspond to what is defined in the National Development Plan of Latvia 2014-2020 (NDP) – people who feel belonging to Latvia, who willingly live, work and establish families in their country and support their country through engaging in civic activities (NAP, 2012).

SC allows grouping it by the impact and the potential of the collaboration levels. The SC structure is divided in three groups: private, social and public. The levels of SC analysis are national, regional and local, out of which this research deals with all three: national, regional and local (district) levels.


- at the micro level – individuals’ collaboration as a result of personal contacts, cooperation, formal and informal networks, trust in other individuals, businessmen, country and governance;
- at the macro level – the result of social groups: engagement in public, non-governmental and political organizations and civic activities; trust in the government and local governance; responsiveness of social groups when establishing a strong mutually related network of groups.

SC impacts: increase of public tolerance, public consolidation, economic development of territories, development and implementation of the action policy of the state and local governments, increase of the level of life of society.

SC potential is the competences, skills and abilities possessed by an individual and groups. A correlation exists: the higher the level of knowledge, the higher social potential and the more active social engagement (Iyer, Kitson & Toh, 2005).


SC core indicators are: participation in various civic and social activities, political parties or groups, professional societies, unions and associations, public and religious organizations, work groups; participation in local governance; engagement in attracting funding; education indicators; ability to trust.

Indicators subordinated to SC impact are: the number of population, its changes, population density, the proportion of the population until the working age, unemployment rate, revenues of the local governments, economically active businesses, people’s gross income, education of the decision-making and the executive authority of local governments, civic activity during elections, the number of NGOs.

Factors affecting social capital

Analysing the SC subordinate indicators, the authors support the opinion of M. Bērziņš (2011) and E. Klāve, Šūpule (2015) that less developed regions are losing inhabitants, especially the young and the educated because workplaces are not offered (Bērziņš, 2011; Klāve & Šūpule, 2015).

The reduction of the population number and density may affect negatively the social capital of the
territory, the attractiveness of the place of residence, the revenue of the local governments and the investors’ interest. According to the CSB data (Table 1), since 2010 the number of permanent residents in Latvia has decreased by 4%. The largest reduction in the number of population in Zemgale districts was observed in Auce district – 14%, Jekabpils district – 12% and Pļaviņas district – 11%. In the future, it can create lack of labour force in establishing new enterprises or developing the existing ones. The population density in the districts of Zemgale region is by 37% lower than the average in Latvia, and it indicates the unactractiveness of the territories and low SC.

The age structure of the population characterises the potential of social and economic development, the employment development perspective, where SC is the influencer of the mentioned factors. The number of economically active population (Table 1) at the working age has reduced by 2.7% in total in Latvia. A faster reduction was observed in the towns of the region – Jelgava and Jekabpils. In districts, it was twice lower. The changes in the number of the working-age population are related to the population aging and emigration.

The number of population until the working age (Table 1) is the social potential of the future of the territory. In Latvia, Jelgava and Jekabpils it has increased on average by 1.1%, in Zemgale region – on average by 0.55%. In the districts, the increase is very small – 0.01%.

In the NDP 2014 – 2020, the development of entrepreneurship is linked with a sustainable growth of the territory and enhancing of SC and economic activity (NAP, 2012). SC is not used fully as a resource for promoting entrepreneurship. This corresponds with G. Ciemleja and N. Lāce’s (2012) opinion, who associates SC with active management of businesses, competitiveness and sustainable development (Ciemleja & Lāce, 2012). High SC determines intercompany collaboration in the future, which should result in strong partner relationships.

The increase of the number of businesses (Table 1) in towns is related to the population number and density, which has allowed for the accumulation of larger SC, for the existence and development of entrepreneurs. In the districts, the number of businesses has increased by 18%, which exceeds the average indicators in Latvia three times. That indicates to the presence of SC, but not to sufficient SC in establishing new enterprises and workplaces.

An indicator of SC impact is gross salary (Table 1). The largest changes were observed in the districts of Zemgale region – 21%, and they indicate to a faster SC development than it is in the rest of Latvia. The business environment, workplaces, gross salary and budget revenues of local governments

<table>
<thead>
<tr>
<th>Year</th>
<th>Districts</th>
<th>Towns</th>
<th>Region</th>
<th>Latvia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>169</td>
<td>82</td>
<td>251</td>
<td>2 044</td>
</tr>
<tr>
<td>2016</td>
<td>159</td>
<td>79</td>
<td>238</td>
<td>1 968</td>
</tr>
<tr>
<td>2010</td>
<td>20</td>
<td>969</td>
<td>23</td>
<td>32</td>
</tr>
<tr>
<td>2016</td>
<td>19</td>
<td>930</td>
<td>22</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: authors’ calculations, based on CSB.
are associated with the SC of state institutions. This corresponds with J. Grizāns’ (2015) opinion that the competence and the capability of state and municipality institutions is important nowadays, and it is directly linked with the SC of regional and municipality governments.

The state and the local governments should provide a developed, reachable and attractive territory for their inhabitants. For a country and local governments to perform their functions, they possess a total of funds – budgets of local governments.

The total SC of Latvia has fostered the revenues of the state consolidated budget (Table 2), with the average annual income of 6%. The revenues of the consolidated budgets of local governments are insufficient. In 2015 they did not reach the level of the base year (2008). Their proportion in the total national budget is decreasing, which indicates inactive and poorly governed local SC.

The authors’ observations coincide with J. Grizāns’ (2015) opinion that the revenues of local governments are directly linked with the business environment in the territory, with enterprises capable of operation, the development of the NGO sector and the SC possessed by the local government.

In the research of other authors, the development of a continuous dialogue between local governments and NGOs that would be present at all stages of the development of the action policy and would facilitate the development of the territory, is emphasised (Marsden, Eklund, & Franklin, 2004; Moseley, Cherrett, & Cawley, 2001; Kovách, 2000; Woolcock & Narayan, 2000).

The number of NGOs per 1000 inhabitants in Zemgale region and districts (Table 3) has increased 2.2–2.3 times. On average, in Latvia it has decreased by 20%. The authors consider that the increase of the NGO number is partly related to the offer of the EU Funds in 2014 – 2020. It coincides with the conclusion of B. Bela et al. (2013) that NGOs depend financially not on the membership fees, but on attracting resources of various Latvian and foreign funds, and when the funding is terminated, the organizations either limit or stop their operation (Bela, 2013).

### Table 2

<table>
<thead>
<tr>
<th>Year/indicator</th>
<th>Revenue of the state consolidated budget, bill. EUR</th>
<th>Base increase (%)</th>
<th>Revenue of the consolidated budget of local governments, bill. EUR</th>
<th>Base increase (%)</th>
<th>Proportion of the revenues of local governments in the state budget (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>8.15</td>
<td>100</td>
<td>2.39</td>
<td>100</td>
<td>29.4</td>
</tr>
<tr>
<td>2009</td>
<td>6.72</td>
<td>83</td>
<td>1.89</td>
<td>79</td>
<td>28.2</td>
</tr>
<tr>
<td>2010</td>
<td>6.55</td>
<td>80</td>
<td>1.87</td>
<td>78</td>
<td>28.7</td>
</tr>
<tr>
<td>2011</td>
<td>7.24</td>
<td>89</td>
<td>1.92</td>
<td>80</td>
<td>26.6</td>
</tr>
<tr>
<td>2012</td>
<td>7.93</td>
<td>97</td>
<td>2.12</td>
<td>89</td>
<td>26.8</td>
</tr>
<tr>
<td>2013</td>
<td>8.21</td>
<td>101</td>
<td>2.22</td>
<td>93</td>
<td>27.0</td>
</tr>
<tr>
<td>2014</td>
<td>8.48</td>
<td>104</td>
<td>2.31</td>
<td>96</td>
<td>27.2</td>
</tr>
<tr>
<td>2015</td>
<td>8.71</td>
<td>107</td>
<td>2.34</td>
<td>98</td>
<td>26.9</td>
</tr>
</tbody>
</table>

Source: authors’ calculations, based on CSB.

### Table 3

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Public organizations per 1000 inhabitants</th>
<th>Base increase (%)</th>
<th>Population’s civic activity (%)</th>
<th>Base increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2016</td>
<td>2009</td>
<td>2013</td>
</tr>
<tr>
<td>Districts</td>
<td>2.89</td>
<td>6.67</td>
<td>231</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Towns</td>
<td>2.80</td>
<td>6.45</td>
<td>230</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Region</td>
<td>2.86</td>
<td>6.52</td>
<td>228</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
<td>1634</td>
<td>1316</td>
<td>-20</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: authors’ calculations, based on ER, CEC.
Comparison of the indices of the education level of the deputies of Zemgale region, towns and districts in 2009 – 2013

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Index (year)</th>
<th>Difference in the period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2013</td>
</tr>
<tr>
<td>Districts</td>
<td>1.46</td>
<td>1.58</td>
</tr>
<tr>
<td>Towns</td>
<td>1.51</td>
<td>1.92</td>
</tr>
<tr>
<td>Region</td>
<td>1.47</td>
<td>1.64</td>
</tr>
<tr>
<td>Average</td>
<td>1.48</td>
<td>1.71</td>
</tr>
</tbody>
</table>

Source: authors’ calculations, based on CEC.

The voter activity approves the civic activity and the population’s belief that when they go to elections, it is in their power to change something. The population’s engagement in the elections of local governments in 2009 and 2013 (Table 3) has decreased between 8.8 – 8.9%; in towns it is 10.7%. The lowest voter proportion was observed in 2013 elections of local governments in Bauska – 33%, the largest was in 2009 elections in Skrīveri – 55.3%. The level of the voter activity characterises a poor presence of SC, distrust in the local power and feebleness in influencing decisions. Comparing the number of programmes submitted for the election of local governments, a decrease between 18 – 20% was observed, which approves of insufficient population’s engagement and low SC.

M. Pelsē (2007) considers that territorial development is directly linked with the SC possessed by the executives and the administration. The authors agree with the opinion that it is exactly the decision-making and the executive authority that have to understand the importance of SC and have to enhance it. Whereas, the SC potential is directly linked with education, and in the research the SC possessed by the decision-making authority of the local governments was compared.

The index of the total SC potential or the index of the education level was calculated for the decision-making authority of Zemgale region, towns and local governments. According to Likert scale (Nachmias, 2005), 100% will be achieved if the characterising value is 2. The weight coefficient of the component indicators of the index is 1 for secondary and secondary vocational education and 2 for higher education. The model of the standardization method for the territorial development index designed by the Latvian Statistical Institute (Cimdiņš, 2015) was applied in the calculation. It determines that the values characterising the education level of the decision-making authority standardised with particular weight coefficients are aggregated according to the formula (Formula 1):

\[
t = \frac{x - \bar{x}}{s}
\]

Jelgava and Jekabpils towns demonstrated a faster increase of the SC potential – level of education – of the decision-making authority (Table 4) – 0.41.

The situation differs in the districts where the average increase is 0.12 and changes can be evaluated as insignificant, and they characterise the SC potential of the elected deputies. None of the local governments demonstrated the highest level of SC potential, i.e. 2.

There is a need for new local leaders who possess a competence to solve socially important issues. The SC quality of the decision-making authority threatens the local territorial development. There is a need for the increase of SC potential.

Conclusions

1. The essence of SC is related to private and social benefits: 1) at the individual level – better mutual contacts; 2) at the public level – people’s ability to work in a group and in organizations to attain their goals.

2. SC potential is the competences, knowledge and skills possessed by an individual and groups. High social engagement is directly linked with SC, which depends on the level of education.

3. Core indicators and subordinate indicators are used to measure SC. Core indicators demonstrate the presence of SC, subordinate – the impact of SC.

4. The lack of SC influences the income of local governments and households, social differences and changes in the population number, weakens the governance of municipalities and fosters crime.

5. The observed SC factors: 1) The decrease of the population number and density in towns and districts has affected negatively SC of the territory, which in the future can reduce the overall attractiveness of the territory, budget revenues of the local governments and investors’ interest, create lack of labour force; 2) the decreasing number of the working-age population reduces: the total SC of the territory, the number of choices for regional and local leaders; 3) the little increase of the number of population until the working
age can create even more significant lack of SC and can foster development differences among districts and towns in the future; 4) the increase of the number of enterprises in the towns and districts of Zemgale region is between 18 – 24%, and it has allowed SC to accumulate, the businesses to exist and develop. SC is not fully used in the development of new enterprises; 5) the average population’s engagement in the election of local governments in Zemgale region, towns and districts has decreased and points to an insufficient and poor presence of SC; 6) NGOs depend financially not on the membership fees, but on attracting resources of various Latvian and foreign funds. When funding is terminated, the organizations either limit or stop their operation; 7) the SC quality of the decision-making authority threatens the local territorial development. There is a need for the increase of SC potential.

6. The authors suggest local governments of districts should more actively support NGOs, allocate municipality or state funding to the sustainable operation of NGOs, similarly as it currently happens when financing political parties.

7. Summarising and comparing statistical indicators about SC core and subordinate indicators, it is concluded that in particular analysed categories the indicators are insufficient. Local governments should foster the dialogue with the social groups of society, should improve the population’s engagement in making decisions required for society and should enhance SC potential and activity. Results beneficial for development can be reached only through working collaboratively.

References


