

# Social Capital as an Economic Category

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## Abstract

This article examines the main directions of research on the creation and development of social capital of individuals and firms within the frameworks of neoclassical, institutional, neo-institutional, and post-neoclassical paradigms of economic theory. The concept of social capital as an economic category is clarified, an authorial classification is presented, and its elements are systematized. The classification of types of social capital for individuals and firms is expanded.

**Keywords:** social capital, volunteering, charity, individual social capital, corporate social capital, digitalization

In the current economic conditions, amid property inequality in most countries, significant environmental challenges, and high socio-political turbulence, social capital becomes increasingly important for both individuals and companies.

The current generation learns using information technologies and social networks, prioritizing activities that foster personal growth, psychological well-being, emotional comfort, and the prevention of burnout. Increasingly important is participation in public initiatives, charity, volunteer programs, social projects, and the work of human rights organizations—all elements of individual social capital.

Similarly, companies direct the use of social capital toward comparable efforts: engaging in charity, actively developing volunteer movements among employees, involving citizens in volunteer programs, funding social infrastructure (sports facilities, sanatoriums, summer camps, cultural and creative centers), and implementing environmental initiatives.

According to J. K. Galbraith, “social capital represents the opportunities to increase firm value through influence on political processes” (Galbraith, 2004). While social capital undoubtedly affects the market value fluctuations of many firms, it is less significant compared to financial capital or core productive assets. Galbraith’s definition is better attributed to lobbying activities rather than the reproduction of social capital.

P. Bourdieu defines social capital as “social networks that can serve as resources for obtaining benefits” (Bourdieu, 2005). N. Aggert reduces social capital to a system of social connections, “some of which can be capitalized” (Aggert, 2023). However, considering social capital solely as a profit-extraction tool through communication is inaccurate, as it also forms through altruistic relationships. The author emphasizes the multifaceted nature of social capital, formed via complex social interactions, many based on selflessness.

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Neo-institutional theorists R. Nelson and S. Winter view social capital as “evolutionarily formed and used resources for corporate social responsibility” (Nelson & Winter, 1982). This definition is debatable, as it only considers social capital at the firm level, ignoring its reproduction at the individual level.

L. Polischuk links social capital to individual and organizational participation in public and charitable programs (Polischuk, 2014), though this approach narrows the economic concept under consideration.

Based on literature analysis, social capital is refined as an economic concept: it represents a stage of human capital development characterized by active and productive involvement of individuals and firms in socio-political, charitable, volunteer, ecological, and other similar initiatives; commitment to patriotism; enhancement of societal stability; and increased assistance to disadvantaged populations. Unlike traditional economic-theoretical approaches, social capital is considered a stage in the development of human or corporate capital, encompassing not only knowledge, skills, culture, and health but also complex social networks and interactions. This definition can apply to individuals, firms, or broader socio-economic systems such as regions or states.

### Key Elements of Social Capital:

#### 1. Individual social capital:

- Educational, cultural, and health status;
- Participation in charitable initiatives;
- Membership in active public organizations;
- Media and social network activity on socially significant issues;
- Possible political activity.

#### 2. Corporate social capital:

- Aggregate human capital of employees;
- Psycho-emotional well-being of employees (e.g., through corporate wellbeing programs);
- Social infrastructure owned by the firm;
- Charitable and/or volunteer programs;
- Environmental protection activities;
- Funding public processes to address social issues (not for personal economic gains).

Different economic schools have studied trends and challenges in social capital formation and utilization through various approaches.

Neoclassical economists, such as P. Samuelson, J. Hicks, and F. Hansen, explored social markets, supply and demand, and analysis tools applicable to social capital. Institutional economists, including J. K. Galbraith, A. Alchian, and H. Demsetz, examined formal and informal norms' influence on social capital formation for individuals and firms. Neo-institutional approaches employed methodologies from entrepreneurship contracts, public service, game theory, and bounded rationality.

S. Baron and G. Field distinguished between personalized and impersonal entrepreneurial contracts in corporate social capital (Baron & Field, 2001). Personalized contracts arise when a firm creates social capital via agreements with specific recipients (e.g., public organizations or political parties). Impersonal contracts apply when a firm provides assistance to a general group (e.g., children with disabilities or large families).

R. Musk studied transaction costs associated with social capital (Musk, 2018). J. Perloff and D. Carlton analyzed internal corporate social capital management, especially via charity foundations (Carlton & Perloff, 1994).

The post-neoclassical paradigm, from the 1990s to present, investigates financing optimization for corporate social capital, including public-private partnerships, municipal and state asset utilization, and

social capital's impact on corporate reputation, brand value, and political capital of top managers promoting socially beneficial activities.

Social capital can be classified as systemically balanced, fragmentarily balanced, or internally unbalanced. Balanced social capital is crucial for effective utilization. Internal imbalances exist, e.g., lower-educated individuals participate less in charitable programs due to financial and cognitive constraints (Aldrich, 2020).

Corporate social capital should align with higher-level economic programs, integrating with industry, regional, cluster, and national social initiatives. Management of social capital can be self-reproducing at the individual level or directive at the corporate level, particularly in authoritarian organizations. Indirect methods, such as funding organizational culture programs, can effectively develop social capital.

### Conclusion

By innovation criterion, social capital is classified as innovative, formally innovative, or non-innovative. Examples: corporate universities represent innovative social capital; formal digital reporting for charity represents formally innovative; external funding to charitable foundations is non-innovative.

Social capital can also be evaluated by real social effectiveness. Programs with tangible social outcomes contribute to societal development, while symbolic programs mainly promoting corporate branding yield nominal social impact.

Thus, this study expands social capital classification by internal balance, alignment with higher-level economic systems, management, funding sources, innovativeness, and real social effectiveness.

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