

“Social capital” and sustainable agriculture: role of a farmer company in developing countries

The concept of “Social Capital” has added a new dimension to the sustainable agriculture dialogue in developing countries. “Social Capital” argues for the enhancement of benefits of investments in physical and human capital. Accordingly, it shifts the entire production function upwards. These institutions influence the productivity of the small farming community operating at subsistence level.

In the case of mall-scale agriculture in a Sri Lanka the farmer lacks market power, negating efficient operation of the rural economy. This study hypothesizes that if the “Social Capital” is organized into a farmer company, production can be cost- effective and efficient. This study examines the extent to which “Social Capital” enhances the ability of the poor to allocate resources efficiently.

The study of 160 households from four villages in the Dry Zone in Sri Lanka suggests that “Social Capital” via farmer company has made a significant contribution to household welfare. The farmer company has succeeded in pushing up producer prices in local markets so that members as well as non-members have benefited.

Multivariate regression analysis established that “Social Capital” generated via farmer company was a key contributor to household welfare of small farmer community. The

study shows that farmer company is the “glue” that holds “Social Capital” and “Conventional Capital Inputs” in the context of sustainable agriculture in Developing Countries.