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RESEARCH ARTICLE

THE ROLE AND IMPORTANCE OF SOCIAL CAPITAL IN FACE OF THE CHALLENGES OF ECONOMIC DEVELOPMENT

*¹Dr. Saoud Chayed Mashkour, ²Dr. Aqeel Hameed Jaber and ²Dr. Mohamed Hassan Rashem

¹Prof. Muthanna University

²Assist. Prof. Muthanna University

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ABSTRACT

The aim of the research is to know the role of social capital as one of the main pillars of the economic development process, which requires the treatment of the causes of underdevelopment, reducing unemployment and economic inflation, and to bring about a radical change in society in order to elevate it to certain levels to achieve its aspirations to live in welfare according to accepted health, educational and social standards. The concept of economic development is based on the fact that it is a dynamic social activity that involves material and qualitative changes in the life of the community within a certain period of time. The economic development is a conscious and deliberate process of society, as well as structural transformations that lead to the formation of a material base that is used to expand self-productive capacities to achieve a systematic increase in the average productivity of the individual and the capabilities of society, within a framework of social relations that emphasizes the correlation between efficiency and effort, and deepening requirements participation for the purpose of providing basic needs (material and immaterial) for individual and social security. The Iraqi economy faces a number of challenges due to the lack of diagnosis of structural errors and imbalances of different economic sectors accurately. The decline in petrol prices has caused negative effects on the development plans in Iraq because of the significant decline in petrol revenues. This has hindered the development process due to the lack of indicators of the economic performance of the economic sectors, the widespread phenomenon of unemployment, inflation and financial and administrative corruption. This economic variables led to the increase and multiplicity and diversity of challenges that have negatively affected the Iraqi economy in various economic sectors. The study reached a number of conclusions, the most prominent of which is the observation of the increase in operating expenses on investment expenditures in the Iraqi state budget. These expenditures are not consistent with the size of the planned targets for economic development in Iraq. Based on this conclusion, the study recommended that financial returns should be invested in raising the indicators of economic development, including human development in education, housing, health and reconstruction. It is necessary to reduce dependence on petrol exports, which is considered a phenomenon of rent, by adopting strategic planning to employ petrol revenues in non-petrol investments, and industry in order to achieve comprehensive economic development.

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INTRODUCTION

The path of economic development can only be determined through government intervention. This path is supposed to lead to an effective and conscious development that balances the economic sectors, meets the needs of the majority of the members of society and achieves a great deal of justice among the population. The primary purpose of development in developing countries is to achieve the objectives of the various economic and social sectors.

On this basis, they seek to increase national income and eliminate unemployment by adopting a comprehensive economic policy. The Iraqi economy has been exposed to many problems and challenges accumulated during the past decades, which led to the decline of the activities of economic sectors. One of the challenges facing Iraq is the high unemployment rate, for many reasons, the most important of which is the lack of a clear strategy for current education at various stages, especially the university stage, which did not suit the requirements of the Iraqi labor market. The sectors such as education, health, electricity, water, communications, ports, transportation and airports have not met the required level of progress and development. The reasons of failure of the

*Corresponding author: Dr. Saoud Chayed Mashkour
Prof. Muthanna University

industrial sectors, agriculture and services in Iraq are depended on the petrol sector that led to economic backwardness. The strengths of the Iraqi economy to promote the economic reality, including the availability of human resources and natural resources, these resources are the main elements in the advancement of the Iraqi economy through the proper exploitation of these resources for the development of a successful economy. The most important means of success of the development is security and political stability, diversity of sources of funding and attention to different sectors of the economy, and not depend on the source of petrol as the sole financier used in the financing of economic sectors such as agriculture and industry.

Search Problem

The research seeks to identify the problems and challenges that hinder economic development in Iraq through the contribution of social capital, as the Iraqi economy suffers from many problems, the most important of which is the failure of most economic sectors. The search problem can be posed by the following questions:

- Is social capital important in economic development?
- What are the components of social capital?
- What are the objectives of economic development?
- What are the challenges of economic development in Iraq?
- How are the challenges of economic development facing Iraq?
- How is social capital used to meet the challenges of economic development in Iraq?

Research Objectives

The research aims to achieve the following objectives:

1. The impact of social or social capital on economic development in Iraq.
2. To know the most important and serious challenges facing the economic development objectives in Iraq.
3. Addressing these economic challenges in Iraq in order to promote the economic reality that is deteriorating to the reality of advancement and development.

Importance of Research: The importance of research comes from the importance of social capital and its impact on economic development as well as the challenges that impede economic development in Iraq and the role that economic development plays in finding out how to deal with it in Iraq.

The Hypothesis of the Search: The research is based on the following hypothesis: "Social capital plays an active role in achieving economic development and works to find ways to address these challenges in order to achieve the objectives of economic development in Iraq".

Social Capital and Economic Development

Social Capital

Concept of Social Capital: Many social scientists have introduced various concepts of social capital. For example, social capital is described as: "An important resource of the

organization lies in the private networks. It lies in the social relations between the workers. It is the commitment and bilateral cooperation between two parties and the withdrawal of one of the parties leads to its collapse. And it cannot be owned and represents good intentions in individuals or groups (Khawain 2017: 436). The social capital is the nature of social relations between workers within and outside the organization in the society surrounding them. These relations are supposed to be based on trust, mutual cooperation and mutual commitment which have a great impact on the achievement of creativity and innovation.

Importance of Social Capital

There are a range of benefits that can be achieved through social capital:

1. Social capital helps to be flexible. It focuses on teamwork, trust and mutual commitment without overstating formal controls and individual incentives.
2. Social capital leads to improved biological and psychological processes that improve the lives of the individual.
3. Social capital strengthens relationships with the network of processors and suppliers, and the process of self-learning of the organization.
4. The high levels of social capital affect professional success, help the organization in the job of research and create a good investment portfolio of the staff of the organization and facilitate the exchange of resources between units and reduce the turnover of work.
5. Social capital plays a vital role in the life of organizations by attracting individuals with skills, talents and skills and generating new ideas through the exchange of information interchangeably and spreading knowledge among the networks, as well as improving the efficiency of performance (Khawain 2017: 436).

Components of social capital

Social capital consists of three dimensions: social rational, social intellectual, and social structural.

- a. The social relational capital describes the personal relationships developed by individuals over a long history of interactions and reflects the influences of the behavior of friendship and respect for this concept in individuals with social and societal motivations, consent and benevolence during such continuous relationships, that is, Among people who develop over time and generate trust, standards, respect and distinction.
- b. The social knowledge capital refers to resources that provide common representations, interpretations and systems of meaning between the parties. It also interprets and interprets all meanings between the parties and uses tools such as language, symbols, stories, etc.
- c. The structural social capital, involves the formation of links between individuals or units, and thus relations are strong and weak, directly and indirectly. This term describes the formation of interpersonal relationships between individuals or units. This dimension is the overall model that links the important and important

factors in society, which are the links and networks of work and the structure and form of the network, as well as the existence of the organizations in which these associations and bodies operate (Al-Abbadi 2014: 178).

Economic Development

Definition of Economic Development

Economic development is defined as "social social effectiveness that includes qualitative and quantitative changes in people's lives over a given period of time". It is therefore a conscious and deliberate social process. It also includes structural transformations that lead to the formation of a material base that is used to expand self-productive capacities in order to achieve a systematic increase in the average productivity of the individual and the capabilities of the community within a framework of social relations that emphasizes the correlation between efficiency and effort, providing basic needs (material and non-material) for individual, social and national security. Development is not simply an economic process that uses available resources efficiently to increase commodity production, but is a purposeful composite process (it is the outcome of all elements). It includes the movement of society as a whole and its components are all political, social and economic in a form that must be integrated and coordinated (The Iraqis Economists Association 1995: 1).

It follows that the definition of development has two main aspects:

- A quantitative aspect is a set of quantitative indicators that satisfy the basic needs of man.
- A qualitative aspect related to the change in patterns of behavior and the type of relations prevailing, and this aspect of innovation and progress.

Thus, the traditional economic term of development meant that a national economy whose primary economic state was static, little or very long for the generation and sustainability of a periodic or annual increase in gross national income (GNI) at rates of 5% to 7% or more (Al-badri, 2010: 7).

Objectives of Economic Development

The following are some of the main objectives that the General Plan for Economic Development in Developing Countries (www.startims.com) should address:

- a. **Increasing national income:** Increasing national income is the most important objective of economic development in developing countries because the main purpose that drives this country to economic development is its poverty, low standard of living and increasing population growth.
- b. **Improving living standards:** Achieving the standard of living is one of the general objectives that economic development seeks to achieve in economically underdeveloped countries, because it is impossible to achieve the material necessities of life and to achieve an appropriate level of health and culture unless the standard of living of the population rises.

- c. **Modification of the relative composition:** The relative composition means that the country is unable to rely on one sector of activity as a source of national income, whether it depends on agriculture alone, and to seek support for the industrial sector because dependence on one sector puts the country at risk of economic fluctuations.

Challenges of Economic Development in Iraq

There are many challenges facing economic development in Iraq, including:

Economic Challenges: The petrol is considered one of the most important source for the Iraqi economy. The petrol extraction and export sector contributed 44% to the GDP and 93% to the total exports. As well as the opening up of the Iraqi economy to the outside world, as a natural result of the decline in the contribution of the commodity sectors (excluding petrol) to GDP growth by 6.28% for commodity activities and 38% for distribution activities and 4.33% for service activities for the period This figure explains the need for Iraq to increase its imports to cover increasing domestic demand as a result of the increase in the volume of operating expenses in the local budget. This is evidenced by the increase in the content of the commodity supply component in the Iraqi market compared to the local content, (The Central Bureau of Statistics and Information Technology in Iraq, national accounts, 2014, p.11). The specific role of the private sector in the development process in terms of low contribution to economic activity and employment generation and coverage of the increase in domestic demand and investment financing, making it an inflexible sector that cannot respond quickly to the targeted changes in the economic development plan unless a suitable and attractive business environment to be a competitive and interactive sector (Ministry of Planning, National Development Plan for the years 2010-2014). It is noteworthy that the Iraqi economy relies mainly on petrol resources in covering operational and investment expenditures. This indicates that economic development plans depend on the petrol sector without the other economic sectors (Ministry of Planning, Central Organization for Statistics and Information Technology in Iraq). The following are the aspects that affected the Iraqi economy (www.almadinanew.com) as indicated by (Al-Rubaie):

Agricultural Sector

Several aspects of the agricultural sector in Iraq can be seen:

- 1) The deterioration of local agricultural production.
- 2) There is no strategically located strategic reservoir.
- 3) Lack of competitive capacity of agricultural crops in local markets to imported agricultural commodities.
- 4) The weakness of local agricultural investments and the lack of foreign direct investment in the agricultural sector.
- 5) The weakness of the financial, technical, technological, information and marketing potential of the private agricultural sector, which accounts for the total agricultural activity.
- 6) Water problem The agricultural sector suffers from a significant shortage of irrigation water. The water quantities of Iraq decreased, as well as pollution in

water because of the upstream and Iraq to throw the remnants of industry, agriculture and cities in the course of the rivers.

- 7) Environmental pollution. According to UN reports, Iraq is a country with very high pollution in water, air and petrol, which has led to a significant increase in agricultural production costs due to the use of many types of high-priced pesticides.

Industrial Sector

A number of things can be observed in Iraq's industrial sector, including (www.almadinanew.com):

- 1) Most of the small and medium-sized private enterprises have stopped because of state subsidies, power cuts and the opening up of the Iraqi market to international markets.
- 2) Stopped emerging industries.
- 3) the flight of industrial capital to the outside because of the inadequacy of the local environment, which has become an expelling of investment.
- 4) Most large industrial projects belonging to the public sector have stopped and some of them have very low productivity cards, such as chemical industries, medicines, food, leather and textiles.
- 5) Declining percentage contribution of the industrial sector in the provision of ration card items.
- 6) The entire absence of local industrial goods from Iraqi markets.
- 7) The lack of competitiveness of Iraqi industrial goods in general and the revolution of the pyramid so that the Iraqi commodity became high cost, which was reflected also in the high price, compared to a significant decrease in the quantities produced under the low quality.

Petroleum Sector

The petrol industry faces several challenges, which are listed below (Ministry of Planning, National Development Plan 2010-2014):

- 1) Processes of petrol and petrol derivatives, including imported derivatives.
- 2) Iraq's import of petrol derivatives estimated at hundreds of millions of dollars annually.
- 3) Weak financial investments in the petrol sector.
- 4) The need of the petrol sector for more than (20) billion dollars for the reconstruction of petrol installations and raising production and export capacities.
- 5) Crimes and terrorist attacks on petrol pipelines between Iraq and the world.
- 6) Exploration and petrol exploration needs a process of great rise, depending on ancient methods.
- 7) Water ports enjoyed by Iraq, which have been damaged by the wars fought by Iraq, both with neighboring countries or with the countries of the international coalition.

Social challenges

The following are the main social challenges facing economic development in Iraq (Al-Basri 2010: 5):

- a. Education and higher education: Despite the importance of this sector in the development and economic plans, some indicators have negative implications for the development of this sector and the development of its inputs or outputs. The data indicate a large deficit in the number of schools, the high proportion of schools with dual and triple jobs, which are not suitable for the educational process.
- b. Health: The most prominent of these challenges are the scarcity of drinking water supply, the non-treatment of sewage and waste water, in addition to serious problems in the health system itself: the low number of doctors (1 doctor per 1000 people) compared to international indicators, which reflects the poor citizen's confidence in health services provided by health and government institutions.
- c. Housing: Iraq suffers from a housing crisis. Estimates of the need for adequate housing units ranging from one million to 5.3 million housing units differed according to assumptions adopted by housing studies.
- d. Poverty: Data on the strategy for alleviating poverty in Iraq confirmed that 23% of the population is below the poverty line
- e. The unemployment: The phenomenon of unemployment is one of the most social challenges affecting the economy and society, a phenomenon that continued to be high (15%) according to the latest statistical survey with a clear concentration among young people reaching 30% and among women reaching 5.35%), and due to the situation experienced by Iraq, there has been a deterioration in the state of living, culture and health of citizens (Al-Basri 2010: 5).

Security Challenges

Security and safety is a priority for the State. This role is not limited to providing security for citizens, but rather extends security and providing the appropriate security environment for peaceful coexistence and spreading the spirit of tranquility in all spheres of life. It is normal for commercial and economic movement to be affected in the event of a security imbalance. The trade exchange movement is based on several bases, and in the event of failure or absence of one of these foundations, the movement of trade exchange is paralyzed. One of these is the provision of an adequate security environment. It is impossible to set up a trade movement, business and development projects when the security cover is absent. Terrorist acts have targeted all aspects of life in Iraq. For example, if there are development projects that the international organizations or bodies intend to establish in Iraq, it is impossible to start them in the event of deterioration of the security situation or lack of an appropriate security environment. The challenge was not confined to the commercial movement, but rather to the energy transmission lines in the petrol sector. The security deterioration in the areas through which the petrol pipelines were passing led to many attacks that resulted in large quantities of losses (Al-Rubaie www.almadinanews.com).

The Treatments of the Challenges of Economic Development in Iraq: The importance of economic development stems from its role in raising the living standards of individuals, reducing poverty and saving the lives of citizens, in addition to increasing GNP and providing job opportunities. This is a set of economic policies that result in

significant changes in the country's economic structure, accompanied by an increase in real incomes and an increase in welfare rates for individuals in society and at the same time the goal of any economic policy.

Objectives to Treat of the Challenges

The means of treatment of the challenges through achieving the objectives of the economic development plan by treatment the structural errors and imbalances in the various economic sectors, and the requirement to achieve a set of economic and social goals centered on raising the standard of living of individuals and improving and changing the structure of production. These objectives are the following (Al-Niqrat/www.edu.gov):

- 1) Increase national income.
- 2) Raise the living standards of individuals.
- 3) Reduce income inequality among individuals in one society.
- 4) Expansion of the production structure.
- 5) Poverty reduction.
- 6) Economic and social equality.
- 7) The spread of education and the provision of good health services.

Requirements for Treatment of Challenges

Treatment of these challenges requires the existence of requirements to create economic and social structural transformations within the framework of economic development (www.edu.gov):

- 1) To find institutions and mechanisms that make changes in the economic and social structure of the state in accordance with their conditions.
- 2) To choose the appropriate and appropriate methods for the country's circumstances through the formulation of appropriate policies.
- 3) Reform of production structures in the national economy, especially in the industrial and agricultural sectors.
- 4) Developing real human development through supporting and activating the sectors of education, training and scientific research.

The most important means of treatment of the challenges of economic development in Iraq can be illustrated by the following points (Ministry of Planning: National Development Plan 2013-2017):

- 1) Diversify the economic base by securing the basic requirements and infrastructure and increasing the contribution of the selected growth poles in the sectors of industry, agriculture and tourism to increase their contribution to GDP generation in the long term in order to achieve the target annual growth rate of output by (3.13%) with Petrol and (5.7%) without petrol.
- 2) Work on building and activating the economic partnership between the public and private sector for the first share by 79% of the total investments of the plan, ie 329 trillion dinars while the private sector contributes 21% of the total investments of the plan, (88) trillion

dinars, and believes in a gradual transition to a market economy in accordance with the principle of efficiency and competition.

- 3) Work to achieve a stable economic environment and sustainable growth, ensuring equitable distribution of resources between governorates based on population weight, poverty indicators and other developmental roles for governorates and local administrations.
- 4) The Plan, through its overall and sectoral objectives, aims to promote coherence and harmony between economic and monetary policies in order to achieve sustainable growth and economic stability that inhibits inflation and the equitable distribution of development fruits among the various segments of society.
- 5) Increasing the productivity of economic activities and labor productivity, which enhances the competitiveness and diversity of the economy, while the sector has an active role in the fields of investment and the creation of protected employment opportunities.

Social treatments are summarized as follows (Ministry of Planning: National Development Plan 20132017)

- 1) To promote integration between the plan's path and the poverty reduction strategy in order to reach the outcome of the poverty strategy aimed at reducing the proportion of the population below the poverty line to 16% and reducing the poverty gap.
- 2) Creating decent work opportunities within an effective framework based on the translation of national employment policy provisions and the adoption of the new labor law in order to raise the levels of employment and reduce unemployment to 6% in 2017.
- 3) Promote knowledge building and skills by providing opportunities to achieve an equal educational environment that supports the expansion of school construction to cover half of the existing need, attention to children's education and education, literacy and adult education and the upgrading of primary, intermediate and preparatory schools to 95% , 30%), respectively.
- 4) Upgrading the health services infrastructure so that they can design national programs that protect human health, provide high quality services, and reduce child mortality rates.
- 5) Make women and young people the target points for the plan to build their capacities, both in terms of knowledge and health, and in order to increase their participation in the system of developmental interactions.
- 6) The creation of an enabling environment conducive to tangible progress in the quality of life of the fragile and vulnerable group, their integration into society and the labor force, expansion of their participation base, and ensuring access to social services and benefits.
- 7) Providing new housing units to address the shortage of residential units in the Iraqi governorates.

There is no doubt that the providing of development requirements is a good means for stability within the Iraqi people and to make the divisions between the components of the people are elements of integration, and to make the development a process starts from individual to the Iraqi society (Salum www.Annabaa.org).

Conclusions Recommendations

Conclusions

1. Economic development aims to raise the standard of living of the individual by meeting his basic needs.
2. The Iraqi economy depends on the petrol sector to finance the state budget and government activity.
3. The failure of major sectors in the Iraqi economy, such as agriculture, industry, weak production and infrastructure degradation.
4. Low level of private sector participation in various economic activities.
5. Economic challenges and constraints have led to a decline in GDP due to the failure of previous economic policies.
6. One of the most important challenges is the security challenge, which is one of the most important obstacles that lead to the lack of improvement of the economic situation, which is reflected negatively on the achievement of the objectives of economic development.
7. The most important challenges of economic development in reaching its objectives are higher than the operational expenditures on investment expenditures in the budget of the State of Iraq, and these expenditures are not consistent with the size of the planned objectives for economic development in Iraq.
8. The Iraqi economy suffers from the lack of most of its human and material resources due to successive wars, internal conflicts, economic sanctions and looting of its resources, resulting in the failure to reach the goals set for economic development.

Recommendations

1. Adopting an economic development model from other countries commensurate with the country's conditions, such as neighboring countries such as Iran, Kuwait, Jordan and Lebanon.
2. There must be harmony between public and private interests, through the interaction of the individual with the economic process.
3. The need to strengthen the role of the private sector, through the participation of public and private sector in investment opportunities, which depends on the transfer of management skills and modern technological methods.
4. The need to invest financial returns in raising indicators of economic development, including human development in education, housing and health.
5. Security and safety must be provided for economic and commercial movement to achieve economic development objectives in Iraq.

6. The dependence on petrol exports should be reduced, which enhances the phenomenon of irrigation through the adoption of strategic planning for the employment of petrol revenues in non-petrol investments, especially agriculture and industry in order to achieve economic development.
7. Develop financial and monetary plans and economic policies based on strategic objectives for long-term economic development.

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