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THE INFLUENCE OF ECONOMIC CAPITAL TOWARDS THE SOCIOECONOMIC BACKGROUND OF THE RURAL COMMUNITY

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Abstract:

A rural community is very important in planning for rural development and it cannot be disregard as the rural area is part and parcel of the nation's development. In countries with emerging and developing economies like Malaysia, rural communities constitute the majority of populations where the majority of them are generally poorer and more disadvantaged compared to their urban counterparts. In Malaysia, rural communities have diverse and different levels of socioeconomic backgrounds that are based on the type of settlement, type of economic sector, and rural density level. Therefore, this paper aims to identify the factor of economic capital influencing the socioeconomic background of rural communities. Besides that, this paper also explains the theoretical perspective such as the regional economic growth theory which directly contributed to providing understanding on the factor of economic capital and its indicator influencing the different levels of the socioeconomic background of rural communities. The finding of this paper will provide a preliminary framework for the factor and indicator of economic capital that influenced the socio-economic background of the rural community in the context of Malaysia based on a literature review of previous related research on this topic.

Keywords

Economic Capital, Socioeconomic Background, Rural Community

Introduction

The most important view in development of rural economic is the natural resources based development. In most rural areas, several small economic activities which based on natural resources are tended to focussed more on the agriculture, livestock, forestry, fisheries and local tourism (Edirin, 2018; Rashid *et al.*, 2019a). These activities are contributed to the differences of socioeconomic backgrounds where it was conducted by the local community lived in rural areas as they aimed in creating sources of income for their families and to the community members inside their locality (Khairnar *et al.*, 2017; Vorobyov and Bugai, 2019; Rashid *et al.*, 2019b).

In identifying the differences of socioeconomic background of rural community, there are several major factors behind this mosaic situation such as type of occupation and income level (Agarwalet *et al.*, 2009; Sánchez-Zamora *et al.*, 2014; Straka and Tuzová, 2016; Rashid *et al.*, 2019a). However, in the context of Malaysia, there are hidden factors that could lead to the differences of socioeconomic background of rural community which directly involved by the endogenous factors (internal) and exogenous factors (external).

Both endogenous and exogenous factors in explaining the economic growth is much highlighted in the territorial innovation model inside the regional economic growth theory. According to Rashid *et al.* (2019a), the differentiation of economic performance in rural areas is much associated and highly impacted by the economic capital. Therefore, this paper aims to identify the factors of economic capital influencing the differences of socioeconomic background of the rural community.

Theoretical Perspective in Regional Economic Growth

In regional economic growth, theories are categorized into four major categories, such as traditional models, the pure agglomeration model, local milieu models, and the territorial innovation model (Rashid *et al.*, 2019a). The regional economic growth theories are significant in explaining the theory of economic capitals and their influences on the socioeconomic background. Territorial innovation model is the suitable selection of theory in regional economic growth theories where it's explained on the endogenous and exogenous factors of the economic capital in rural areas which could determine the socioeconomic background of rural community (Terluin, 2003; Agarwal *et al.*, 2009; Rashid *et al.*, 2019b).

According to Terluin and Post (2000); Murdoch (2000); Peet and Hartwick (2015), exogenous factors are defined as an approach to economic development that focuses primarily on external factors that contribute to capital and labour resources, such as capital investment and assistances for government and private entity as well as government policies.

Besides that, the endogenous factor refers to local growth that is predominantly driven by local impulses and is mostly based on local resources (Picchi, 1994; Agarwal *et al.*, 2009; Rashid *et al.*, 2019b). Understanding the territorial innovation model in the regional economic growth theory could conclude that both endogenous and exogenous factors has directly contributed in understanding the factors of economic capital and its indicators influencing the different levels of the socioeconomic background of the rural community.

Factor of Economic Capital in Rural Community

The current image of rural communities can be viewed as a “new situation of rural communities” in term of socioeconomic performance based such as good, moderate, and low (Rashid *et al.*, 2019a). This situation raises questions about the factors drives this kind of trend situations. In explaining the factors of economic capital, the method used is by identifying literatures and previous research related to this topic.

Furthermore, this economic capital demonstrates the internal and external factors that are part of the theory of economic growth and directly contribute to the understanding of economic capital. Thus, this paper able to summarise and integrate the identified factors and indicators of economic capital which can be used as method to measure and explain the differences of socioeconomic background of rural community (Table 1).

Table 1: Identification of Factor and Indicator in Economic Capital

| Factor | Indicator | Reference |
|---|--|--|
| Endogenous Factor (Internal) | | |
| Occupations and Income | Level of income every year | Agarwal <i>et al.</i> (2009); Sánchez-Zamora <i>et al.</i> (2014); Straka and Tuzová (2016); Rashid <i>et al.</i> (2019a) |
| | Stability in occupation | Terluin (2003); Courtney and Moseley (2008); Sánchez-Zamora <i>et al.</i> (2014); Straka and Tuzová (2016); Rashid <i>et al.</i> (2019a) |
| | Additional source of income | Courtney and Moseley (2008); Straka and Tuzová (2016); Rashid <i>et al.</i> (2019a) |
| People Employed in Household | Balanced job and salary | Sánchez-Zamora <i>et al.</i> (2014); Straka and Tuzová (2016); Rashid <i>et al.</i> (2019a) |
| Property and Asset Ownership | Generated cultivated land | Courtney and Moseley (2008); Klok (2011); Roberts and Townsend (2016); Rashid <i>et al.</i> (2019a) |
| Exogenous Factor (External) | | |
| Money Transfer | Money transfer by family members | Bryden <i>et al.</i> (2004); Roberts and Townsend (2016); Rashid <i>et al.</i> (2019a) |
| Government and Private Sectors Assistance | Financial and welfare assistance | Agarwal <i>et al.</i> (2009); Klok (2011); Sánchez-Zamora <i>et al.</i> (2014); Rashid <i>et al.</i> (2019a) |
| | Business/ agricultural/ fishery assistance | Agarwal <i>et al.</i> (2009); Klok (2011); Sánchez-Zamora <i>et al.</i> (2014); Rashid <i>et al.</i> (2019a) |

Socioeconomic Background of the Rural Community

Rural areas in Malaysia have different socioeconomic backgrounds according to the location of the rural areas. The socioeconomic background is represented by the component of social variable which are education and health while economic variable comprises of income and occupation (Bryden *et al.*, 2004; Rathod and Ningshen, 2012; OECD, 2014). Authors like Bollen *et al.* (2001) and Mustaqim and Islam (2014) defined that the socioeconomic background are important tools to the measure of human development such as individuals or family group of people economic and social position based on education, income, health and

occupation. Based on the literature review and previous related paper research, this research will use some variable and indicator related with this research. This paper will summarise the variable and indicator that will measure and use in socioeconomic background in this research (Table 2).

Table 2: Identification of Aspect and Indicator in Socioeconomic Background

| Component | Variable | Indicator | Reference |
|-----------|------------|----------------------------|--|
| Social | Education | Level of education | Sirin (2005), OECD (2014), Thomson (2018), Rathod and Ningshen (2012) |
| | | Home educational resources | Mustaqim and Islam (2014), Rathod and Ningshen (2012) |
| | Health | Level of health | Mustaqim and Islam (2014), Rathod and Ningshen (2012) |
| | | Ability to do work | Bryden <i>et al.</i> (2004); Roberts and Townsend (2016); Rashid <i>et al.</i> (2019a) |
| Economic | Income | Household income | Bollen <i>et al.</i> (2001), Rathod and Ningshen (2012), Arsal (2016) |
| | | Wealth | Bollen <i>et al.</i> (2001), Rathod and Ningshen (2012), Arsal (2016) |
| | Occupation | Work Status | Sirin (2005), Mustaqim and Islam (2014), Rathod and Ningshen (2012) |

Preliminary Framework of Economic Capital Influencing the Socioeconomic Background of Rural Community

This research is able to identify the factors and indicators of economic capital as well as the components and variables in the socioeconomic background of the rural community based on the literature and previous studies related to this research. For the factors and indicators of economic capital related to the economy in rural areas are influenced by the socioeconomic background, which indicates the economic and social environment, which can highlight the various socioeconomic patterns in each rural area in Malaysia.

To understand the economic capital and socioeconomic background of rural communities the preliminary framework is provided to use in this paper. In the socioeconomic background is divided into component such as economic and social. In economic, income and occupation such as level of income, stability in occupation, and additional source income were identified as economic background. These identified factors can lead into differences in socioeconomic background of rural communities in term of the household income and wealth level.

In social, education and health were identified as these variables were important in investigating social background of rural community. In rural community, education is one of important action for rural community to change their socioeconomic background with proper education for their family members as it could guarantee a suitable job and balanced income. Therefore, this study can triangulate the understanding of the rural community's socioeconomic background, which includes income, occupation, education, and health, based on the five (5) factors and eight (8) indicators of economic capital highlighted in Figure 1.

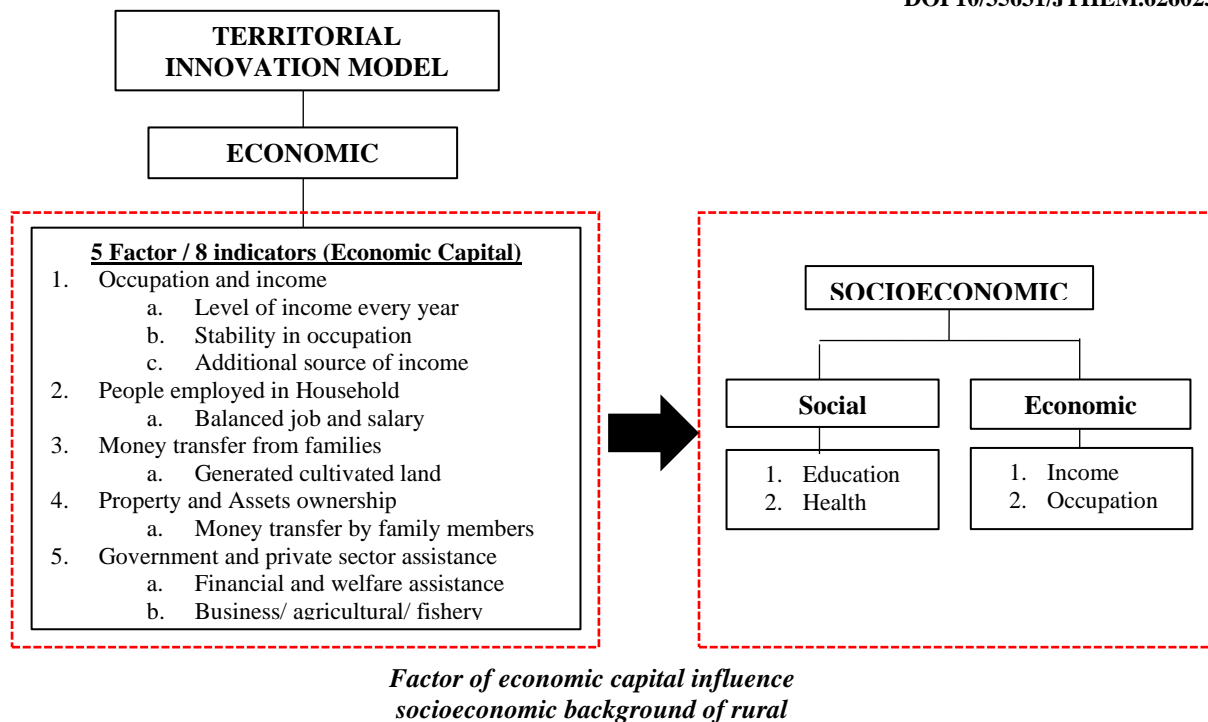


Figure 1: Theoretical Framework of Economic Capital and Socioeconomic Background in Rural Communities

Conclusion

The key finding of this paper is able to provide theoretical framework that incorporated between economic capital and socioeconomic background of rural communities. There are five (5) factors and eight (8) indicators of the economic capital were identified and integrated into the theoretical framework of economic capital and socioeconomic background in rural communities.

With this theoretical framework, it can serve as a measuring tool in analysing the differences of socioeconomic background of the rural community that involved four (4) variables such as income, occupation, education and health. Besides that, this framework also able to analyse the socioeconomic background in rural community with the different pattern economic background of rural areas. Therefore, this framework could be a useful tool to solve the issue of differences of socioeconomic background of the rural community which connected to the main issue of the rural decline.

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