

**SOCIAL CAPITAL AND HOUSEHOLD INCOME
DIVERSIFICATION IN RURAL SRI LANKA: A
QUALITATIVE EXPLORATION OF SOCIAL
RELATIONS, TRUST, COMMUNITY NETWORKS,
AND LIVELIHOOD STRATEGIES**

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ISSN: 2772 128X (Online)
ISSN: 2792 1492 (Print)

 **SLJESIM**

VOLUME 05 ISSUE 01
June 2026

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www.sab.ac.lk/sljesim

Received: 07 April 2026

Revised: 10 June 2026

Accepted: 30 June 2026

How to Cite this Article. Naradda, Gamage S.K., Ekanayake, E.M.S., Sumanapala, S.D.A., Pabasara, M.K.N. & Prasanna, R.P.I.R. (2026). Social Capital and Household Income Diversification in Rural Sri Lanka: A Qualitative Exploration of Social Relations, Trust, Community Networks, And Livelihood Strategies. *Sri Lanka Journal of Economics, Statistics, and Information Management*, 5(1), 90—109

Abstract

Households in rural Sri Lanka are increasingly turning to multiple income sources to cope with unstable economic conditions, intensifying climate threats, and reduced farm profits. Social capital is broad, encompassing networks, norms, trust, and other social relationships that can be used to coordinate and cooperate towards a mutual benefit. The overall objective of this qualitative research is to explore how social relationships, community networks, and trust contribute to income diversification among rural households in the North Central Province of Sri Lanka. In line with this aim, the study seeks to understand how by examining how different forms of social capital facilitate the initiation and expansion of income-generating activities by providing access to resources, opportunities, and collaborative support. It further examines how rural households rely on social capital as a coping mechanism during periods of economic hardship or environmental crises, such as drought, crop failure, or sudden income loss. The sample comprised 17 rural households in rural and semi-rural areas selected through purposive sampling from Anuradhapura District, Sri Lanka. It collected relevant data from respondents via semi-structured face-to-face interviews, lasting approximately 1.5 hours. Key dimensions identified through thematic analysis, including themes and patterns relevant to determinants of Social Capital and Income Diversification. In line with social capital theory, these dimensions are further conceptualized through the distinction between bonding social capital, bridging social capital, and linking social capital. The research findings identify the influence of social relationships, community networks, and trust on income diversification among rural households in the North Central Province of Sri Lanka. Main themes include the role of social networks in income diversification; the impact of collective support and informal mechanisms on risk-taking; knowledge sharing and skill development for better livelihoods; social capital as a safety net in crises; and the enhancement of market efficiency and economic decision-making

through social capital. Solid connections help people share, learn, and support each other. Strong neighborhood ties facilitate information exchange and risk reduction, although many groups remain insular. Rural development should foster connections with external resources such as training centers and microfinance agencies, enabling families to acquire new skills and opportunities beyond their immediate circles. Organized community training and knowledge-sharing through groups can enhance practical skills in food processing and climate-smart farming. There is a pressing need for affordable financial options, as rural families often depend on informal loans; thus, banks should offer accessible microcredit solutions. Additionally, strengthening rural infrastructure and market facilities can enhance income opportunities. Programs aimed at building resilience in climate-affected areas should incorporate local support networks alongside formal resources to better prepare communities for adverse conditions and disasters.

Keywords: *income diversification, rural livelihoods, social capital, Sri Lanka*

1. INTRODUCTION

Income diversification has become an essential livelihood strategy for rural households. For many rural families, especially in areas with unstable wages and uncertain weather, spreading income across different activities has become vital as farming yields drop (Gamage et al., 2025; Nilanthi, 2021). In rural North Central Sri Lanka, many people depend on a single job, usually paddy cultivation. However, repeated droughts, fluctuating crop prices, and difficulties in obtaining seeds and other farm supplies make that method of earning money increasingly risky. When households spread their income, they face less risk, keep money steadier, and build stronger livelihoods. Researchers explain that spreading risks helps families stay afloat and lifts them by allowing them to try better-paying work, such as running small businesses, doing processing, or taking jobs off the farm (Ellis, 2000; Barrett et al., 2001). It builds families' ability to adapt, sparks new ideas, and gives them more freedom to handle shocks and seize new opportunities.

People in rural communities can generate income from many sources; nevertheless, social, economic, institutional, and environmental pressures affect families' ability to attempt different ways of earning a living. Research suggests that people with more assets, such as land, education, useful skills, and money, are better able to spread their income. With stronger resources, families can shift into nonfarm work or produce goods with higher value (Ellis, 2000; Barrett et al., 2001). Family success is determined by personal choices as well as by institutions, such as access to credit, extension support, and market linkages, helping people break into new income opportunities and reach better-paying livelihoods (Reardon et al., 1998; Babatunde & Qaim, 2010). When droughts hit and crops fail, families feel even more pressure to spread their income sources, using several ways to earn money to stay financially stable (Dercon, 2002; Silvestri et al., 2015). These points reveal that spreading income is not simple; it depends on what people can do and the outside conditions that shape their options. Social ties, networks, shared rules, and trust shape how

information spreads, how people work together, and how informal help is offered, thereby lowering the dangers associated with diversification (Putnam, 1993; Woolcock & Narayan, 2000).

‘Social capital’ is a broad term, describing networks, norms, trust, and other social relationships that can help coordinate and facilitate cooperation towards mutual benefit (Putnam, 1993). Coleman (1988) views social capital as a fruitful resource embedded in social structures that allows people and groups to attain goals that would otherwise be inaccessible. Social capital is comparable to physical or human capital; unlike these two, it is relational and functions as a collective action, shared values, and mutual obligation. These attributes render social capital especially applicable in rural economies, whereby informal institutions, kinship bonds, and community organizations typically take the place of feeble formal markets and state apparatus.

Bonding, bridging, and linking social capital are generally differentiated in the literature. Bonding social capital is characterized by a close connection between persons sharing similar socio-economic characteristics, family, neighbors, or homogeneous community organizations. Although bonding ties offer emotional support and short-term coping mechanisms, they can also restrict access to new knowledge and opportunities (Claridge, 2018; Woolcock & Narayan, 2000). The bridging of social capital links people across various groups in society, facilitating the flow of information, skills, and resources that drive innovation and economic diversification. The extension of social capital between these relationships makes them more vertical to gain access to institutions, markets, NGOs, and government agencies, which are organizations with formal power and resources (Szreter & Woolcock, 2004). Understanding how these various types of social capital operate in rural communities in Sri Lanka is critical to developing effective development plans.

Reliance on a single source of livelihood, such as rain-fed agriculture, subjects rural families to a high level of risk, especially in areas increasingly affected by climate change and market fluctuation. Livelihood diversification, activities that do not directly involve farming, and small and medium enterprises (SMEs) have been noted as measures to minimize vulnerability and enhance household welfare (Gamage et al., 2025; Ellis, 2000). Social networks help diversification, as they promote access to credit, skills training, market information, and jobs. Relationships based on trust and common norms also minimize the uncertainty and promote risk-taking, which are requisites of entrepreneurial activity. For marginalized people, especially women, youth, and small-scale entrepreneurs, economic empowerment is directly associated with reducing structural inequalities and social exclusion (Wijesinghe, 2023; Kabeer, 1999). Empirical evidence suggests that social capital is important in income diversification (Claridge, 2018; Narayan & Pritchett, 1999; Grootaert & van Bastelaer, 2002).

Many studies in the Sri Lankan context have highlighted the significance of community networks and collective action in the development of rural areas with particular reference to microfinance, farmer organizations, and women societies (Minhaj et al., 2025; Singh, 2015). Most available literature, however, treats social capital as a secondary variable or examines it in a single dimension, e.g., group

membership or trust (Stolle, 2003; Haddad & Maluccio, 2003). A significant gap remains in the research literature that explicitly analyzes the interaction between various types of social capital on economic empowerment and income diversification, particularly in the North Central Province. The area, with agrarian livelihoods, historical irrigation systems, and strong community traditions, along with the new nonfarm economic activities, is an especially suitable site for such an inquiry.

The overall objective of this qualitative study is to explore how social relationships, community networks, and trust contribute to income diversification among rural households in the North Central Province of Sri Lanka.

In line with this aim the study seeks,

- to understand how different forms of social networks facilitate the initiation and expansion of income-generating activities by providing access to resources, opportunities, and collaborative support (Bonding social capital).
- to examines how rural households rely on social capital as a coping mechanism during periods of economic hardship or environmental crises, such as drought, crop failure, or sudden income loss (Bridging social capita).
- to explores how social connections shape access to credit, markets, skills training, and livelihood-related information, which are essential for sustaining diverse income strategies (Linking social capital).
- to identify community-driven suggestions and policy insights that can strengthen social capital and enhance rural economic development, ensuring that interventions are grounded in local needs and lived experiences.

This study is significant to the economic and sociological development of rural settings in general, as it offers a community perspective and qualitative evidence on rural households, and uses a qualitative approach to understand rural families' real experiences and the social factors that shape how they diversify their income. It shows more than numbers, revealing how relationships, trust, and community ties influence what people choose to do for a living. This approach captures the small details of how people interact and what those actions mean in context, helping explain complicated social relationships and how social capital shapes rural livelihoods (Creswell, 2013).

The rest of the paper is organized as follows:

Section two presents the literature review; Section three explains the qualitative research design's methods, including data collection techniques, participant selection process, and the analytical approach that explores research questions. Section four presents the results, and Section five discusses the findings derived from the data, organized into themes that reflect participants' perspectives and experiences and relate to the existing literature. Finally, the last section provides the conclusion and recommendations.

2. LITERATURE REVIEW

Rural households frequently diversify their income sources to minimize vulnerability and increase overall economic resiliency (Ellis, 2000). Households in the North Central Province of Sri Lanka rely more on multiple income sources to weather unpredictable economic conditions, climate pressures, and diminishing yields of the traditional agricultural products. Traditional livelihood security has been undermined in the area by climate variability and frequent droughts, pushing households to diversify their sources of income to increase resilience (Eriyagama et al., 2018; Wijerathna et al., 2025).

The effectiveness of income diversification, however, depends on the power of social ties, including kinship networks, community groups, trust-building associations, and institutional ties, which together constitute social capital (Putnam, 2000; Woolcock & Narayan, 2000). Through social networks, rural households can gain access to information, financing, markets, and skills to engage in both non-agricultural and off-farm activities. The presence of trust-based relationships helps reduce uncertainty and encourages experimentation with new economic opportunities. The small-scale entrepreneurs who rely on their informal networks for support have access to both start-up funding and labor assistance, allowing them to launch new enterprises (Claridge, 2018) successfully. In areas dominated by agriculture, collaboration through farmer groups and cooperative associations enables producers to market collectively, share risk, and transfer new technologies, enabling rural households to pursue diversified livelihoods.

Social capital has become a widely accepted concept in development economics, sociology, and political science to explain the impact of social relations on economic and social performance. Despite different definitions, it is generally agreed that social capital consists of networks, norms, trust, and social relationships that enable one to work together and engage in collective actions (Putnam, 1993). Social capital is functional in nature and a productive resource embedded in social structures, not an individual attribute (Coleman, 1988). Social capital, unlike physical or human capital, is inherently relational and context-specific. Bourdieu (1989) defined the concept of social capital as the ‘total of existing or possible resources associated with the enduring networks of institutionalized relationships’ as one of the means of reproducing social inequalities. This point of view is especially applicable to the rural development process, in which network access can either lead to economic mobility or increase isolation. Social capital has a qualitative nature, grounded in lived experiences, perceptions, and informal interactions; hence, it is particularly appropriate to the interpretive and exploratory research approaches.

The tripartite classification of social capital has gained prominence in development research through the concepts of bonding, bridging, and linking (Putnam, 2000; Wijesinghe, 2023; Woolcock & Narayan, 2000). Strong ties between members of similar social identities, e.g., family members, neighbors, members of homogeneous community groups, are called bonding social capital. These relationships are vital for survival tactics, support, and risk-sharing, especially when the economy is inefficient (Putnam, 2000). Building social capital links people across

various social groups and can be linked to accessing new information, innovation, and economic opportunities. Farmer organizations, cooperatives, women's societies, and youth clubs are primary ways of forming bridging ties in rural areas, allowing people to share knowledge and expand livelihood options (Grootaert & van Bastelaer, 2002). In the mean case, connecting social capital is about vertical relations among communities and institutions holding formal power, i.e., government agencies, banks, and non-governmental organizations. These connections are essential for access to resources, training, credit, and policy support (Claridge, 2018; Szreter & Woolcock, 2004).

3. MATERIALS AND METHODS

This research used a qualitative case study approach, guided by a well-developed interview guide, to collect data, given the status of the research topic. Qualitative research provides a comprehensive framework for exploring a direct, manageable, and singular topic, yielding a broad understanding of a specific incident or issue (Mohajan, 2018). Qualitative analysis was conducted to better understand the households' experience with income diversification. This research study used a purposive sampling technique to select the the research sample based on their involvement in community associations. The sample comprised 17 rural households from rural and semi-rural areas of Anuradhapura District in Sri Lanka. The sample size was determined based on the principle of data saturation, where data collection continued until no new themes or insights emerged from the interviews. The study employed a pre-tested interview guide to collect relevant data from respondents through semi-structured face-to-face interviews, lasting approximately 1.5 hours.

The interview guide contained open-ended questions to identify the factors affecting social capital on households' income diversification. The interview guide covered five key areas: (1) Understanding social relationships and networks, (2) Income diversification pathways, (3) Crisis support mechanisms, (4) Policy insights, and (5) Community recommendations. For data analysis, the study followed a thematic analysis approach to systematically identify, analyse, and interpret patterns within the qualitative data, enabling a deeper understanding of households' experiences with income diversification.

Furthermore, this research examined the lived experience in rural areas and explored how rural households understand, experience, and utilize social relationships, community networks, and trust in shaping income diversification. The interviews were audio-recorded and transcribed with the participants' acceptance. The dimensions of group sustainability were identified through thematic analysis, which identified themes and patterns relevant to the determinants of Social Capital and Income Diversification.

4. RESULTS AND DISCUSSION

The results and discussion section is organized into three main categories to present the key research findings. First, this section presents the sample's socio-demographic profile. Second, it describes the effects of social capital on income diversification

under the ten main thematic areas. Finally, the discussion section interprets the research findings in the context of the existing literature.

4.1 Socio-demographic profile of affected households

Understanding the sample's demographics is crucial to the study's generalizability. The study involved 17 rural household members who represent the livelihoods of agriculture and small businesses. Table 1 summarizes their socio-demographic characteristics, including age, gender, education level, household income, and family size.

Table 1
Socio-demographic Profile of affected households

Case No.	Age	Gender	Level of Education	Current Occupation	Household Monthly Income source	Number of Household Members
C1	38	Female	Secondary	Small Business Owner	Secondary	2
C2	42	Female	Primary	Agriculture	Primary	4
C3	45	Female	Secondary	Agriculture	Secondary	3
C4	35	Female	High school	Small Business Owner	Secondary	4
C5	48	Male	Secondary	Small Business Owner	Secondary	3
C6	42	Female	High school	Small Business Owner	Primary	4
C7	39	Female	Secondary	Small Business Owner	Secondary	3
C8	38	Female	Primary	Agriculture	Primary	2
C9	52	Male	Secondary	Agriculture	Secondary	2
C10	38	Female	High school	Agriculture	Secondary	3
C11	50	Male	Primary	Agriculture	Secondary	4
C12	54	Male	Primary	Agriculture	Secondary	5
C13	49	Male	Secondary	Agriculture	Secondary	3
C14	48	Female	Secondary	Small Business Owner	Secondary	3
C15	45	Female	High school	Small Business Owner	Secondary	2
C16	47	Male	Primary	Agriculture	Secondary	2
C17	48	Male	Primary	Agriculture	Primary	3

Source: Field Data, 2025

The respondents' ages ranged from the mid-30s to the mid-50s (the sample included 11 females and 6 males aged 35-54 years), indicating a group actively involved in decision-making about their livelihoods and in managing household finances. Their education levels varied from primary to high school, and their income level ranged from low to moderate monthly wages. This heterogeneity provided a rich understanding of how different households mobilize social capital to improve livelihoods.

4.2 Impact of Social Capital on Household Income Diversification

The research results focused on exploring how social relationships, community networks, and trust contribute to economic empowerment and income diversification. Analyzing the 17 cases identified the effect of social capital on income diversification among rural households in the North Central Province of Sri Lanka under the following key themes:

Social Networks as Pathways to Income Diversification, Collective Support and Informal Mechanisms that Enable Risk-Taking, Knowledge Sharing and Skill Development for Improved Livelihoods, Social Capital as a Safety Net during Economic and Environmental Crises, Social Capital Enhancing Market Efficiency, and Economic Decision-Making (see Table 2a).

Table 2a
Key Dimensions of Social Capital and Income Diversification

Key Themes	C 1	C 2	C 3	C 4	C 5	C 6	C 7	C 8	C 9	C 10	C 11	C 12	C 13	C 14	C 15	C 16	C 17
Social Networks as Pathways to Income Diversification	*	*	*	*	*	*		*	*	*	*	*	*	*	*	*	*
Collective Support and Informal Mechanisms	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Knowledge Sharing Enhances Skills		*	*	*	*			*				*	*	*			

	Access to New Opportunities through Networks	<p>“A friend introduced me to a buyer in town, so I started selling processed food products.” (C15)</p> <p>“Through the rural society, I got a chance to join a training program and start a new small business.” (C5)</p>
	Access to Opportunities and Resources	<p>“Through a connection in another village, I started supplying products to a new market.” (C7)</p>
Collective Support and Informal Mechanisms that Enable Risk-Taking	Collective Support Encourages Experimentation	<p>“I was really scared to start growing mushrooms. The other people in the group helped me feel better. They told me about their experiences with mushroom farming.” (C2)</p> <p>“The people in the group are very supportive of each other when someone tries something new, so it is easier to take risks.” (C13)</p>
	Informal Financial Support for Diversification	<p>“I borrowed money from our savings group to start a small tailoring business.” (C1)</p> <p>“Without support from my relatives, I couldn’t invest in a second income activity.” (C3)</p>
Knowledge Sharing Enhances Skill Diversification	Knowledge Sharing and Skill Development for Improved Livelihoods	<p>“I learned food processing from another member in our group, and now I sell homemade products.” (C4)</p> <p>“Training information comes through our network, and we join together.” (C14)</p>
Networks as Safety Nets Supporting Diversification	Social Capital as a Safety Net during Economic and Environmental Crises	<p>“During crop failure, I depended on my small shop and support from the community.” (C5)</p> <p>“Even if one income fails, we manage with help from others and different activities.” (C2)</p>
Enhancing Market Efficiency and	Better Economic Decisions	<p>“We exchange price information in the village, so we don’t sell our harvest at low prices to middlemen.” (C9)</p>

Economic Decision-Making	Better Market Outcomes	“When we sell as a group, buyers cannot cheat us. We fix a fair price together.” (C5)
	Reduction of Transaction Costs (Efficient Economic Activities)	“We do business with people we know, so we don’t need written agreements.” (C6)

Source: Field Data, 2025

Social Networks as Pathways to Income Diversification

These research findings reveal that social networks are essential for people to find and create multiple sources of income. Participants consistently reported that they can learn about new sources of income and new livelihood opportunities through their friends, family members, communities, and associations. For example, C10 explained, “Through my neighbors, I learned about poultry farming. Now I earn from both paddy cultivation and poultry.” Similarly, C8 noted that “People in our village share ideas, so we don’t depend only on one income source,” highlighting how people connect with others and help each other to make diversified income decisions, emphasizing a community’s collective knowledge system.

Social networks further help to facilitate access to new markets and business opportunities. One of the respondents, C15, said that “A friend introduced me to a buyer in town, so I started selling processed food products.” At the same time, C7 noted that “Through a connection in another village, I started supplying products to a new market.”

Thus, social networks help people acquire new ideas about the market and businesses. As C5 stated, “Through the rural society, I got a chance to join a training program and start a new small business.” It reveals that being a part of social groups helps people to get training opportunities and a pathway to start new businesses. Overall, the findings indicate that the rural households highly rely on social conditions to get new business opportunities, information, training opportunities, and to find new buyers and customers. Thus, it demonstrates that social capital is a door that opens the way for diversified entrepreneurship by reducing information gaps and facilitating new income opportunities in rural areas.

Collective Support and Informal Mechanisms that Enable Risk-Taking

People living in rural areas often receive informal support from their friends and family when they want to try new income-generating activities. This support helps households to overcome fear and uncertainty. Such collective support is vital because it gives people the courage to experiment with new ideas. For example, C2 said, “I was really scared to start growing mushrooms. The other people in the group helped me feel better. They told me about their experiences with mushroom farming.” Another person, C13, said, “The people in the group are very supportive of each other when someone tries something new, so it is easier to take risks.”

Financial support is a critical factor. People living in these areas often obtain financial support from their friends, family, informal savings groups, relatives, or community lending systems. C1 said, “I borrowed money from our savings group to start a small tailoring business.” Participant C3 stated, “Without support from my relatives, I couldn’t invest in a second income activity.”

These examples demonstrate that people diversify when income is unstable, and that strong social ties help them bounce back because they have reliable backup support. When shocks hit, community support helps families stay steady and reduces the risk of sinking into deep poverty. That matches what we see worldwide: social ties can soften the blow when rural incomes take a hit. This makes it very easy for them to try things, knowing they have support. Rural communities and the people in them are very important for trying new things and making money.

Knowledge Sharing and Skill Development for Improved Livelihoods

Skill growth became a clear focus, showing that social connections help people learn useful skills and broaden their income. Many participants picked up new techniques, business know-how, and processing skills from other people, not from formal training. C4 said, “I learned food processing from another member in our group, and now I sell homemade products.” “Training information comes through our network, and we join together.” Sharing what they learn helps them build new skills and feel more confident to move into better-paying work.

These results suggest that social learning helps people build different ways to earn a living. In rural areas where formal training is hard to reach, sharing knowledge within the community is essential for building skills. These results show that learning from others is a part of finding new ways to earn a living. In areas where formal training is rare, learning from others in the community is a significant way for people to develop new skills. Community-based learning helps people in these areas. Social learning is a foundation for livelihood diversification.

Social Capital as a Safety Net during Economic and Environmental Crises

Participants said their social networks were a vital safety net during hard times. Repeated droughts led to crop failure, causing paychecks to wobble, so families leaned on their networks for help and comfort. For instance, C5 said, “During crop failure, I depended on my small shop and support from the community.” C2 added, “Even if one income fails, we manage with help from others and different activities.” Together, these stories reveal that diversifying income is often a way to handle economic trouble, and strong community ties help families bounce back. Community support helps soften the impact of sudden hardships, so families can stay steady and avoid deep poverty. This aligns with research worldwide: strong social ties can help rural communities handle shocks to their livelihoods.

Social Capital Enhancing Market Efficiency and Economic Decision-Making

The last theme shows that social capital boosts the economy by cutting transaction costs, granting people stronger bargaining power, and helping them reach market information. They said that trading through trusted networks means fewer formal contracts and less risk. C6 said, “We do business with people we know, so we don’t need written agreements.” Networks can also keep farmers from being exploited. C9 said, “We exchange price information in the village, so we don’t sell our harvest at low prices to middlemen.” C5 added, “When we sell as a group, buyers cannot cheat us. We fix a fair price together.” Their group approach improved results. By building strong ties and connecting different groups, we can improve how markets work, helping families choose better and earn more.

These findings show how social capital, which is about working together and trusting each other, can make the market work better. This helps families make more profitable decisions about their business, which is social capital. Social capital is important because it helps people work together and trust each other, which makes the economy work better.

5. DISCUSSION

This research examined how connections between people influence different income sources and financial stability in homes across Sri Lanka’s North Central Province. The results, organized into five main ideas, show that trust, friendships, and community ties serve as essential resources, especially in areas affected with poor soil and environmental risks.

The following sections connect these insights to existing literature on the subject. Social networks, in particular, neighbors, friends, community groups, and cross-village connections, act as key information conduits that lead households into new income-generating activities, according to the study. Participants learned about poultry farming, food processing enterprises, and new markets from conversations in their communities. This corroborates Woolcock and Narayan’s (2000) pivotal argument that social capital aids access to opportunities, but is also consistent with more recent evidence demonstrating the centrality of rural networks in enabling entrepreneurial dynamism and diversification (Limbu et al., 2020).

The results also stress the relevance of bonding and bridging social capital. Bonding ties offer knowledge and trust at the local level, whereas bridging ties connect households to potential new buyers, markets, and training opportunities. People often learn about new income opportunities by talking with those nearby. Neighbors share stories, friends chat, and gatherings at local meetings or visits between villages create possibilities. These everyday interactions provide information about raising chickens, making packaged foods, and finding buyers. People gain knowledge not from brochures or ads but through conversations while walking or running errands. These informal networks do more than build trust; they quietly spread useful information.

Previous research by Woolcock and Narayan supports this idea: knowing others expands perceived possibilities. Recent studies from Uganda and Nepal also show that personal connections help small businesses grow. Connections become

especially important when options feel limited. Not every conversation leads to new opportunities, but enough do to change how families plan their futures. What stands out is the importance of close-knit ties, while broader connections are equally crucial. Close relationships provide trusted information within communities, while wider links introduce families to new markets, potential customers, and skill-building opportunities. Recent work across South Asia supports this: reaching out tends to diversify income sources and ease entry into trade (Nargis et al., 2022; Rankin et al., 2023). Areas severely affected by drought, like Sri Lanka's dry regions, often depend on these extended connections to move beyond farming.

Participants often described how emotional support and informal loans motivated them to invest in new livelihoods. Peer support groups alleviated the fear of trying new activities, and rotating savings groups gave financial support when formal credit was unavailable. This aligns with Granovetter (1985)'s work on embeddedness but also resonates with newer work showing social support increases the risk-taking and resilience of rural entrepreneurs (Adjognon et al., 2022). When banks are lacking, informal money networks play a crucial role. Similar patterns were observed in sub-Saharan Africa and parts of South Asia, where family ties and small saving groups influence who tries what. People who trust one another tend to take more risks. This shared confidence makes trying new things feel more achievable. When individuals work closely together, diversifying their income does not seem as daunting. Strong bonds make difficult transitions feel easier.

Knowledge about food processing, cultivation methods, and value addition was shared with others mainly through informal peer interactions, as revealed by the study. This type of social learning is vital to rural settings where formal training continues to lag. Nahapiet and Ghoshal (1998) argue that social capital facilitates knowledge exchange. This is corroborated by recent literature on community-based equitable knowledge sharing, which significantly improves rural adaptation capacity (Hassan et al., 2024; Wijeratne et al., 2026). New studies from Asia highlight informal systems of knowledge used for livelihood upgrading, and how this has become increasingly important amid intensifying climate impacts with peer-to-peer learning (Pradhan & Samanta, 2025; Gholami et al., 2021; Ganati et al., 2023; Darmawan, 2022).

The results confirm that knowledge sharing across social networks is a strong driver of better skill development, livelihood diversification, and resilience. Sharing knowledge builds skills and better lives. People learn most about growing, handling, and improving food through informal conversations with those nearby. In villages where formal classes are scarce, learning from neighbors can have a significant impact. It facilitates information flow, and recent studies support this: locals educating locals creates stronger responses to change.

In Sri Lanka, similar dynamics occur when farming associations or women's gatherings share practical skills (Gholami et al., 2021). Recent studies across Asia highlight that neighbor-to-neighbor teaching is especially important in regions experiencing extreme weather, where survival frequently relies on shared everyday knowledge (Pradhan & Samanta, 2025). This shows that when people exchange

know-how on social platforms, skills expand, earning opportunities diversify, and strength builds gradually.

During crop failures, droughts, and household financial stress, participants relied heavily on community support, highlighting the power of social capital as an informal insurance mechanism. Social Capital as a Safety Net in Times of Crisis. When crops fail or money is tight, people turn to neighbors more than to programs. It is not only about survival; it becomes a quiet safety net woven by trust. Previous studies, such as Dercon's work in 2012, noted this as well. In Sri Lanka's dry regions, where rain is unpredictable, spreading risks is sensible, and friends make it possible.

Recent research shows that connections between people can speed up recovery after hardships. What stands out is how these same ties help maintain daily life stability during tough times. Instead of relying solely on feelings, villagers depend on nearby contacts to swap tasks or borrow tools. Another layer involves food neighbors sharing meals when supplies run low. Money exchanges also happen, typically in small amounts passed quietly between families. Evidence from recent studies on farming households clearly supports this. In difficult times, knowing people helps families. Community connections act like backup plans during challenging moments. These ties ease the management of sudden changes, whether financial problems or natural disruptions. Support from others becomes a quiet strength when life turns unpredictable.

Social capital improves how markets work and choices are made. Strong connections among people helped farmers engage more in markets. By sharing pricing information, they gained the power to demand fairer rates. Group sales provided them leverage in negotiations with buyers. Trust among members reduced the need for official paperwork in transactions. Earlier research observed similar trends, where relationships enhanced trade efficiency (Fafchamps, 2011). Recent studies confirm this, particularly in rural supply networks (Ganati et al., 2023; Darmawan, 2022). The key finding is that mutual trust lowers barriers to commerce. Some farmers noted that group efforts helped them access better markets, a finding supported by newer studies proving that teamwork elevates smallholders into more profitable trades (Shiferaw et al., 2020). Because information travels more quickly among community members, power imbalances during negotiations often diminish, aligning with existing research on how personal connections enhance market success in farming regions (Ganati et al., 2023; Darmawan, 2022). Individuals who trust each other tend to explore various ways to earn money; these ventures often yield better results and higher returns. What holds everything together is not only variety but the connections that influence how effectively those options function. Strong ties softly guide choices toward smarter decisions, ensuring that additional income streams not only exist but thrive.

The results indicate that the community has robust bonding social capital characterized by frequent interactions, mutual support, and idea sharing among people within a village and social group. Still, this inward-looking cohesion is useful yet limited. High bonding ties strengthen trust and solidarity, but do restrain exposure to new knowledge, technologies, and market opportunities beyond the immediate community. On the other hand, bridging social capital, which includes relationships

with external agents (e.g., government officers or extension agents) and buyers in other regions, NGOs, or training organizations, is still weak or undeveloped among participants. This gap hampers households' ability to gain advanced skills, access new markets, adopt innovative livelihood practices, and respond effectively to environmental or economic changes. These findings are consistent with the work of Woolcock and Narayan (2000), who argue that strong bonding ties but weaker bridging social ties render communities vulnerable to structural insulation. Thus, increasing bridging social capital is important to address existing bonding networks, allow rural households' access to critical information, widen opportunities, and improve livelihood resilience.

6. CONCLUSION

This research examined how social connections affect income variety and economic empowerment for rural families in Sri Lanka's North Central Province. When the weather was unpredictable, and farming harvests kept changing, and people had little access to formal financial help, strong social ties became a key way to make a living. The results show that social capital, community ties, trust, casual help, shared learning, and working together in markets help families earn from several sources and become more resilient. The analysis revealed five key themes. To diversify, social networks help find information, discover training, and reach new markets. Second, shared support and easy financial help lower the risk of trying new business ideas and starting businesses. Third, sharing knowledge in their communities helps people to build skills, help rural families improve their work, and broaden how they earn income. During tough economic or environmental times, social capital reduces the blow, helping families handle stress and keep a steady income.

The study ultimately finds that when people trust each other, markets work better, bargaining gets stronger, deals cost less, and decisions are more informed. Taken together, these results show that social capital is not only an extra help, but is the core of long-term, sustainable rural livelihoods. When strong institutions are absent, local community networks are the main way people find jobs, share knowledge, and get help during crises. Yet, the study finds another problem: bonding social capital is strong, but bridging social capital remains weak. Hence, households have fewer opportunities for innovation and access to wider markets. The findings explain the need for policies that support local community groups and also improve connections to outside resources. By strengthening local ties, making it easier to reach official financial services, and weaving community networks into development efforts, people can diversify their income and better withstand long-term shocks. The study shows that social capital helps drive major change in rural areas. By making these links stronger, both the connections that hold communities together and the bridges that link them, people can earn more reliably and support long-term rural development.

Recommendations

The study finds that in the North Central Province of Sri Lanka, people are better able to expand their living income-earning methods, with strong local relationships and

wider ties. Neighborhood ties help people trade information, offer support, and reduce risks, yet many of these groups tend to stay inward. Rural development should bring local people closer to outside help, such as farm extension teams, job training centers, market agencies, and microfinance groups. With these bridges, families can pick up new ideas, try new tools, and discover opportunities they might not have encountered within their usual circles.

Community training helps people to share what they know. Even if people swap skills informally, organized training through farmers' groups, women's collectives, and rural communities can make those skills more useful and better. Programs run by governments and NGOs should provide people with hands-on skills in food processing, value addition, climate-smart farming, and help start small businesses. When locals step up to lead, more people get involved, trust increases, and the message spreads in a way that fits local culture. It is crucial to give more people affordable, flexible financial choices. Since many families in rural areas rely on informal loans to meet daily needs, banks and other official lenders should make microcredit more accessible for small farmers and rural business owners. It includes dealing with low-cost loans, flexible repayment terms, group lending, and simpler paperwork. People join community savings groups, link them with local banks, and enjoy help from neighbors they trust, plus the protection of formal finance. Policymakers should support group marketing and improve rural market facilities.

The research reveals that when people group up and share the same prices, they trust each other more, bargain better, and avoid being taken advantage of by mediators. Supporting rural co-ops, producer groups, and online marketplaces allows local families to find better buyers, negotiate higher prices, and cut fees. With better roads and more storage, combined with stronger rural market hubs, people can earn extra income from various activities and make more profit. Development programs should help climate-affected communities become stronger and more resilient. Policymakers should combine local support groups with official tools, crop insurance, emergency savings, drought assistance, and early warning systems, to build resilience. When local groups join disaster planning and climate adaptation efforts, the entire community becomes stronger and better able to handle shocks.

Acknowledgement

This research paper is an outcome of the approved research project on "Exploring Social Capital's Impact on Economic Empowerment and Income Diversification in the North Central Province of Sri Lanka" which received financial support from the Rajarata University Research and Publication Committee. This work was supported under grant number RJT/R&PC/2025/R/FOSH/09, awarded by the Rajarata University of Sri Lanka.

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