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# Fiscal federalism and public social capital in local government: Investigating the entity governance mediation

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**Abstract**
Past research considers both fiscal federalism and entity governance principle determinants of local government social capital. However, no study is conclusive enough on this point. Guided by social capital theory, this study surveyed 28 districts, 5 municipalities, and 311 sub-counties of Uganda's north-eastern and eastern regions to investigate fiscal federalism-entity governance-social capital linkages. Structural equation modeling results reveal resource utilization, bureaucracy, and corruption; prominent fiscal federalism attributes, social capital predictors. Its other equally-vital component; job creation, depicts no predictive powers. Moreover, entity governance mediates the fiscal federalism-social capital relationship. Implications of these findings to both theory and practice are discussed.

**Keywords:** fiscal federalism, entity governance, social capital, local government

## 1. Introduction

In the contemporary generation of globalization and one largely driven by decentralization policy, the factor often considered exceptionally vital for sub-national economic development is public social capital. Empirical studies (e.g. Putnam, 1993; Trigilia, 2001) [12, 17] perceive public social capital or simply social capital as that individuals-local community network meant to achieve economic development. Moreover, Coleman (1988) [5] and Stolle (2004) [16] posit that unless reciprocity norms and social trust also support the network, social capital cannot be realized effectively.

In practice, however, generating robust social capital; whether in developed or developing countries, is often a big challenging. Some scholars such as Andrews (2012) [1] and Maloney, Smith and Stoker (2000) [10], consider both culture and civicness as pertinent for social capital. This is especially so in resource-strained local entities of Sub-Saharan Africa. Andrews (2012) [1], for instance, asserts that since culture drives the mindset of majority communities in Africa, economic development-oriented social capital policy cannot sideline it.

Furthermore, others (e.g. Arikan, 2004; Mieszkowski & Musgrave, 1999; Weingast, 2014) [2, 11, 18], believe that it is proper appreciation and application of local entity fiscal federalism dynamics that can meaningfully explain social capital. This is simply because sub-national; and specifically, local government service delivery mandate is enshrined in the national fiscal federalism framework. Accordingly, notable fiscal federalism attributes such as resource utilization, job creation, bureaucracy, and corruption, must therefore be potential predictors of social capital (Mieszkowski & Musgrave, 1999; Weingast, 2014) [11, 18].

Although ostensibly supportive of the fiscal federalism-social capital linkages view, another batch of researchers (e.g. Burret & Feld Lars, 2014; Trigilia, 1991) [4], claims that the relationship remains largely fruitless unless entity governance intervenes.

The preceding empirical contradictions surrounding particularly local government social capital seem to suggest that at the moment it has no clear and precise explanation. This gap is more evident in Sub-Saharan Africa entities whose social capital structures are heavily influenced by tribalism and pre-mature partisan politics (Burret & Feld Lars, 2014; Lessman, 2009) [4, 9]. It is against that background that other scholars notably Stolle (2004) [16] recommend in-depth social capital investigations if economic development has to be realized in the region.

In response, the present study employs social capital theory; developed by Coleman (1988) [5] and widely-advanced by Putnam (1993) [12], to investigate the fiscal federalism-entity governance-public social capital triangulation in Ugandan-based local governments. Fundamentally, entity governance is examined as a probable mediation factor in that relationship. The study surveyed related operations in 28 districts, 5 municipalities, and 311 sub-counties in the East African country's north eastern and eastern regions. For quite a long time, Uganda has been continually viewed a fiscal federalism authority in Sub-Saharan Africa (Arikan, 2004; Mieszkowski & Musgrave, 1999; Rodden & Wibbels, 2010) [2, 11, 14].

### 1.1. Study Contribution

This research makes a number of contributions to social capital theory and to both fiscal federalism and local government social capital knowledge body. Admittedly, the social capital theory (Coleman, 1988; Putnam, 1993) [5, 12] is built on a solid foundation. Additionally, it has guided numerous research undertakings in the past (e.g. Andrews, 2012; Maloney *et al*., 2000; Weingast, 2014) [1, 10, 18]. However, this reputable theory is surrounded by several unanswered questions.

Thus, the present study attempts to respond to the following theoretical concerns often overlooked by previous scholarship: Does social capital theory account for what largely obtains in especially Sub-Saharan African local entity public social capital structure? Could there be some critical social capital elements the theory has overlooked? How does the social capital theory link fiscal federalism to social capital in such a culture-driven, largely tribalistic, and resource-strained region?

As a matter of empirical fact, local entity-public social capital concerns in Africa, is an area heavily under-researched and largely ignored by both entity authorities and previous scholars. The entity policymakers may have overlooked it unknowingly. Currently, majority entities suffer its practical implications. Apparently, related research has under-estimated it largely due to its complex nature. The few studies (e.g. Andrews, 2012; Burret & Feld Lars, 2014; Coleman, 1988) [1, 4, 5] particularly examining operations of rural-based local entities of Africa basically focus on the cultural side of social capital.

Consequently, one of the notable contributions of this study is that it breaks this empirical tradition by targeting attributes largely driven by contemporary economic development dynamics. Thus, its model is guided by representative social capital attributes such as community networks, reciprocity norms, and social trust (Coleman, 1988; Maloney *et al*., 2000; Putnam, 1993; Trigilia, 2001) [5, 10, 6, 17].

We also contribute to a further understanding of the fiscal federalism- social capital formation by introducing therein the probable mediation influence of entity governance. The factor is adopted in regard to Putnam (1993) [12]'s social capital theoretical view that enhancing entity social capital effectively entails embracing all its potential identities. Likewise, fiscal federalism (Arzaghi & Henderson, 2005; Rodden & Wibbels, 2010) [3, 14] dictates entity funding and its budgetary mechanisms. Since social capital activities largely rely on that funding for their feasibility, fiscal federalism is inevitable. Hence, the current study's fiscal federalism-entity governance-social capital model is considered ideal in attempting to resolve the chronic social capital problem in especially African-based local governments.

## 2. Theoretical Background, Conceptualization and Hypotheses Development

### 2.1. Public Social Capital

Theory, research and practice consider social capital a critical factor for economic development both at national and sub-national level. At local and regional level, social capital is quite multi-faceted and multi-dimensional in nature (Maloney *et al*., 2000; Putnam, 1993) [10, 12]. Essentially, it is particularly pivotal for decentralized environments which underscore local community development as a foundation for national development (Putnam, 1993; Trigilia, 2001) [12, 17].

On the basis of social capital theoretical underpinnings, both Coleman (1988) [5] and Putnam (1993) [12] identified local entity-based social capital with three principle elements: community networks, norms and social trust. What these attributes require in order to engender community well-being is a proper coordination mechanism between the community and local authorities (Coleman, 1988; Maloney *et al*., 2000) [5, 10].

However, Putnam (1993) [12] and more recently Stolle (2004) [16], observe that social capital especially in resource-constrained jurisdictions, is essentially a formal-informal configuration of economic development-oriented activities. Therefore, in order to be meaningfully measured and particularly in regard to fiscal planning and budgeting, the authorities must consider individual-community interactions (Andrews, 2012; Putnam, 1993; Stolle, 2004) [1, 12, 16].

Another critical point emphasized by research (e.g. Maloney *et al*., 2000; Trigilia, 2001) [10, 17] is that in both developed and developing fiscal federalism countries, local government governance competences considerably differ. Therefore measuring it realistically is not easy given that it largely resides in the complicated local social capital stock (Trigilia, 2001) [17]. This position re-enforces Coleman (1988)'s [5] social capital theoretical perspective that any local entity's effective fiscal performance is a function of community associational life and the level of its citizens' civic nature.

In Uganda, the country's broad decentralization policy and indeed its fiscal federalism framework rests on the local community dimension. There is widespread community participation in fiscal and budgetary activities at all local government levels (Andrews, 2012; Arzaghi & Henderson, 2005; Stolle, 2004) [1, 3, 16]. Moreover, local citizens are members of various community-based organizations (CBOs), non-governmental organizations (NGOs), and savings and credit cooperative organizations (SACCOs). The CBOs, NGOs and SACCOs support community-entity authority joint frameworks in setting-up development-oriented infrastructure (Arzaghi & Henderson, 2005) [3].

As noted Burret and Feld Lars (2014) [4] from their broad experience in African fiscal federalism, what could be empirically exciting is that numerous Ugandan-based entities have implemented the social capital development-oriented agenda in total ignorance. This is quite apparent given that having overseen successful construction of various schools, health centers, rural road networks, and water and sanitation facilities over the years; it is evident that social capital is actually in play either directly or indirectly (Burret & Feld Lars, 2014; Maloney *et al*., 2000) [4, 10]. Moreover, exacerbated by mobile phones and other social networks digital financial inclusion, community-entity coordination has silently played a surmountable social capital role but unknowingly (Andrews, 2012; Burret & Feld Lars, 2014) [1, 4].

In spite of the nation-wide development achievements Uganda's particularly rural-based communities have registered over the years, both its north-eastern and eastern regions remain largely insensitive to basic community associational life. But as previous literature (Burret & Feld Lars, 2014; Lessman, 2009; Stolle, 2004) [4, 9, 9] holds, such a stalemate may not be very surprising given that similar gaps characterize majority tribalism cum premature politics-driven social environments.

#### 2.1.1. Community Networks

Numerous advocates of the social capital theory (e.g. Coleman, 1988; Lessman, 2009; Putman, 1993) [5, 9, 6] consider community or social networks generally informal sociability formations. The sociability dimension is informal in that it merely constitutes the frequency at which community members interact and nothing more (Lessman, 2009; Putman, 1993) [9, 7]. Besides, the interfaces whose motives may even be to generate development-oriented agenda may also not be recognized by the governing authorities (Arikan, 2004; Lessman, 2009; Putnam 1993) [2, 9, 6].

Related empirical evidence (e.g. Maloney *et al*., 2000; Trigilia, 2001; Weingast, 2014) [10, 17, 18], however, indicates an entirely contrary practical view to that of the informality approach suggested by Coleman (1988) [5], Lessman (2009) [9] and Putnam

(1993) [12]. Accordingly, Maloney *et al*., (2000) [10] posited that given that community interactions affect market transaction costs and significantly influence infrastructure type and completion, their networks cannot be simply informal. Rather, these sociability arrangements constitute a cohesive mechanism current fiscal federalism policy must consider salient for meaningful local government fiscal strategy (Maloney *et al*., 2000; Weingast, 2014) [10, 18].

In order to strengthen public social capital in their local entities, several countries in Sub-Saharan Africa; notably, Ethiopia, Ghana, Kenya, Nigeria, South Africa, Tanzania, and Uganda run fiscal federalism policies that recognize community networks as formal arrangements (Maloney *et al*., 2000; Trigilia, 2001) [10, 17]. For instance, since early 2000, majority Ugandan-based local governments embrace multiple means of engaging voluntary organizations in strengthening the social capital structure (Andrews, 2012; Arzaghi & Henderson, 2005; Stolle, 2004) [1, 3, 16].

Several of the country's local establishments often partner with citizens and communities to reach important decisions on the type and benefits of development projects to install. Some of them also liaise with donor agencies and financial institutions to access funding, provide technical advice, and conduct seminars and training to community associations so as to enhance the network capacity (Arzaghi & Henderson, 2005; Trigilia, 2001) [3, 17].

In a nutshell, in order to strengthen social capital at local level, social networks should not be perceived and treated as mere service-providers but their distinctiveness must be recognized. Consistent with recent research (e.g. Andrews, 2012; Rodden & Wibbels, 2010; Weingast, 2014) [1, 14, 18], the networks especially those in culture-driven environments of Africa, require adequate autonomy for them to set their member preference priorities effectively.

Ideally, all they need in order to properly foster social capital is just voice and legitimacy (Rodden & Wibbels, 2010; Weingast, 2014) [14, 18].

#### 2.1.2. Reciprocity Norms

Norms of reciprocity; as the second and another controversial component of social capital, has largely been overlooked by past research. Thus, as rightly observed by Coleman (1988) [5] and Putnam (1993) [12], the concept has no clear-cut practical definition. However, the component revolves around two basic dimensions: inter-provider positive and negative linkages, and recipients of public resources (Putnam, 1993; Stolle, 2004) [12, 16]. In developed countries, Andrews (2012) [1] and Trigilia (2001) [17] associate reciprocity norms with capacity to generate giver-receiver mutual respect, collaboration, and appreciation. Therefore these practices significantly influence community networks. They also create local authority-community mutuality, improve inter-community dealings, and enhance social policies and solidarity. Most importantly, norms of reciprocity significantly engender social trust, political participation and institutional performance (Andrews, 2012; Stolle, 2004; Trigilia, 2001) [1, 16, 17].

Public social capital in the developing world is often characterized by widespread tribalism and premature partisan-politics practices. According to Arzaghi and Henderson (2005) [3], these two factors often make local communities; notably those supportive of the opposition political party, to rarely appreciate any fiscal contributions extended to them by various grantors. In retaliation, central government allocation authorities do not also stop from influencing some donors to extend less support to opposition party local communities, but frequently sideline them when allocating sensitive development projects (Arzaghi & Henderson, 2005; Weingast, 2014) [3, 18].

In sum, the no appreciation-lack of willingness to grant fiscal support-driven reciprocity norms in some African local entities has tremendously undermined the social capital role in promoting community development. Several of Uganda's local governments are a victim to this malaise.

#### 2.1.3. Social Trust

Social capital research further divides social capital into two other components; bonding and bridging social capital. According to post-1990 studies notably Maloney *et al*. (2000) [10], Mieszkowski & Musgrave (1999) [11], and Putnam (1993) [12], bonding social capital constitutes that confidence generated from individual and entity face-to-face interactions. Such linkages are said to engender thick social trust. The bridging social capital formation produces thin social trust; interactions which are largely mild in nature and often arising from non-face-to-face relationships (Mieszkowski & Musgrave, 1999; Putnam, 1993) [11, 12].

Whether thick or thin, empirical evidence (Maloney *et al*., 2000; Putnam, 1993) [10, 12] confirms that in fiscal federalism jurisdictions, community-entity trust is extremely vital for democracy, economic development, competitiveness, policy compliance, and entity fiscal performance. In Sub-Saharan Africa, majority public institutions such as local governments are granted fiscal legitimacy due to confidence citizens puts in them in executing policy (Andrews, 2012; Arzaghi & Henderson, 2005; Stolle, 2004) [1, 3, 16].

This implies that as the community-entity trust increases, authorities easily implement budgets and planned policies on the basis of that legitimacy. Additionally, it helps authorities to secure society consensus in the policy-decision making process and ultimately achieve the public social capital goal (Arzaghi & Henderson, 2005; Stolle, 2004) [3, 16].

### 2.2 Fiscal Federalism

Fiscal federalism is an offshoot of the mainstream decentralization policy. Its rationale is to assist central government reduce on its huge fiscal burden it often single-handedly holds at the national level by delegating it downwards (Arikan, 2004; Lessman, 2009; Weingast, 2014) [2, 9, 18]. It also supports them effectively implement and attain national economic development strategies. The fiscal federalism approach; currently embraced by several developing countries, is considered pivotal in meeting sub-national and regional competing fiscal needs and enhancing their competencies. In majority Sub-Sahara African nations, Uganda inclusive, the approach has greatly helped enhance local and regional entity fiscal autonomy and taxation mandate as well as foster infrastructural development (Lessman, 2009; Weingast, 2014) [9, 18].

The scholars; notably (Lessman, 2009; Maloney *et al*., 2000; Mieszkowski & Musgrave, 1999; Weingast, 2014) [9, 10, 11, 18] have over the years; associated fiscal federalism with that systematic management of fiscal instruments (revenue) and fiscal competencies (expenditure) across different sub-national levels of government. Maloney *et al*. (2000) [10] and Weingast (2014) [18] in particular, postulate that present day fiscal federalism mechanism encompasses understandability of: on one hand, local entity collections, intergovernmental fiscal transfers, donor support, borrowing powers, and related fiscal imbalances, and recurrent and capital spending on the other.

It is against this fiscal federalism-community connectivity background that Mieszkowski and Musgrave (1999) [11] and Weingast (2014) [18] claim that in local government, fiscal federalism predicts changes in public social capital. Backed by related empirical works (e.g. Arzaghi & Henderson, 2005; Putnam, 1993; Rodden & Wibbels, 2010) [3, 12, 14], the researchers argue that fiscal federalism does not impact social capital as a block unit but does so through its influential attributes which often operate circumstantially. For instance, in the largely sectarian, tribalistic and pre-mature partisan politics environment of majority African local entities, Mieszkowski and Musgrave (1999) [11] and Weingast (2014) [18] identify: resource utilization, job creation, bureaucracy, and corruption as fiscal federalism critical players.

### 2.2.1. Resource Utilization

Local collections, intergovernmental fiscal transfers largely grants, donor aid, and to a very small extent loans, constitute the main sources of revenue to local entities. In Sub-Saharan Africa, most local collections comprise taxes such as property tax, dues, fees, charges and licenses. Grants are of three main categories: conditional, unconditional, and equalization grants (Arikan, 2004; Rodden & Wibbels, 2010) [2, 14]. Donors provide aid largely to finance capital-related expenditure especially infrastructure construction (Rodden & Wibbels, 2010) [14].

While in the developed world local entities are allowed to borrow and finance their operations, in several African-based fiscal federalism nations, local entity borrowing mandate is heavily restricted (Maloney *et al*., 2000; Weingast, 2014) [10, 18]. The constraint; largely associated with potential loan re-payment weaknesses and related fiscal horizontal imbalances, has rendered borrowing a very marginal source of revenue for such entities (e.g. Lessman, 2009; Maloney *et al*., 2000) [9, 10].

Optimal resource utilization in majority African local entities requires relevant technical competencies and transparency. As noted by Mieszkowski and Musgrave (1999) [11], the technical capacity-transparency formation should also be supported by adequate leverage and autonomy especially that devoid of political interference in order to realize required proficiency.

Moreover, some scholars (e.g. Andrews, 2012; Stolle, 2004) [1, 16] are of the view that since the local community is the eventual beneficiary of entity resource utilization and spending, community input in regard to social capital contribution cannot be overlooked. In Uganda, several local governments rely on social networks, reciprocity norms, and community trust and appreciation to attain expenditure efficiency. Consequently, communities often utilize the facilities set-up by the authorities properly after recognizing the large capital outlays beneath them (Trigilia, 2001) [17].

In regard to the foregoing resource utilization-social capital linkages, it can be proposed that:

**Hypothesis 1:** Resource utilization has a positive relationship with public social capital.

### 2.2.2. Job Creation

On the basis of fiscal federalism, fiscal powers of the state are systematically decentralized to different lower tiers of government. Rodden and Wibbels (2010) [14] posit that in order to execute fiscal decentralization more effectively, local entity financial systems need to be maintained in close line with the social dynamics of the beneficiary communities. This is quite practical if the authorities engaged professional and skilled manpower in key operational positions (Arzaghi & Henderson, 2005; Rodden & Wibbels, 2010) [3, 14].

Given their predominantly multi-lingual and ethnicity structure, Sub-Saharan Africa-based local entities must therefore deploy personnel with additional language capacities in order to ably serve the community. However, Arikan (2004) [2] and Mieszkowski and Musgrave (1999) [11] indicate that it may not be easy to acquire the competencies unless extensive community-entity staff training is provided. It has also been empirically proven in the work of Maloney *et al*. (2000) [10] and recently by Weingast (2014) [18] that relative to central government fiscal administration environment, fiscal federalism generates large public employment opportunities to satisfy both entity and community service delivery needs.

It is possibly along similar reasoning that in the recent past, Uganda has adopted an aggressive type of fiscal federalism of creating as many local governments as possible. This move has been undertaken regardless of any associated cost, administrative capacity, and public reaction implications (Arzaghi & Henderson, 2005; Rodden & Wibbels, 2010; Weingast, 2014) [3, 14, 18].

But as Weingast (2014) [18] asserts, the country's approach camouflages around the logic of bringing public goods and services closer to the people and creating employment. However, analyzed critically, the situation reveals a reality of a political vote-seeking agenda. The foregoing job creation-public social capital deliberations prompt the formulation of the following proposal:

**Hypothesis 2:** In local government, job creation and public social capital are positively related.

### 2.2.3. Bureaucracy

Like other organizational policies, decentralization and particularly fiscal decentralization, requires that local entities be run under well-organized administrative configurations. These structures enhance coordinated local decision-making processes that facilitate fiscal accountability and transparency (Lessman, 2009; Weingast, 2014) [9, 18]. Besides, the structures also tremendously minimize negative bureaucratic practices and misappropriation of public resources. Such tendencies often undermine local community service delivery (Weingast, 2014) [18].

Conventionally, social capital theory (Coleman, 1988; Putnam, 1993; Trigilia, 2001) [5, 17] links properly-managed bureaucracy to local entity community network efficiency, reciprocity norms benefits, and social trust. For instance, Putnam (1993) [12] and Trigilia (2001) [17] postulate that when fiscal federalism-founded bureaucracy is curtailed, it motivates social capital and ultimately promotes local government fiscal performance.

In Sub-Saharan Africa nations, Uganda inclusive, tribalism and partisan politics often infiltrate and compromise local authority bureaucracy. Thus, fair service-delivery decisions even in regard to instrumental development-oriented government projects are rarely passed (Mieszkowski & Musgrave, 1999) [11]. This does not only affect community social benefits negatively, but it also significantly undermines central government macroeconomic development agenda (Mieszkowski & Musgrave, 1999; Rodden & Wibbels, 2010) [11, 14]. Against this background, we therefore anticipate that the following position obtains:

**Hypothesis 3:** Bureaucracy and public social capital must be having a positive relationship.

### 2.2.4. Corruption

Local government officials are meant to provide various public goods and services to the communities. As noted earlier (Arikan, 2004; Rodden & Wibbels, 2010) [2, 14]; in majority developing countries, this responsibility is funded by local collections, grants, donor support, and to a very small extent borrowing. The fiscal federalism policy directs that the authorities are accountable to local voters as per the latter's preferences (Maloney *et al*., 2000; Rodden & Wibbels, 2010) [10, 14].

In practice, however, public funds are often squandered or misappropriated by the officials through execution of expenditure undertakings not even previously budgeted for. On several occasions, local authority officials connive with community leadership to carry out shoddy work on large capital outlay infrastructure facilities yet at budgeted amounts (Rodden & Wibbels, 2010) [14].

Corruption in African local governments; notably those of Uganda, often starts at the point financial management employees are recruited. The exercise which is spearheaded by the District Service Commission commonly emphasizes engaging persons from the local community tribal and ethnic setting.

Empirical evidence (Arzaghi & Henderson, 2005; Lessman, 2009) [3, 9] identifies the logic behind that fiscal behavior with some means of minimizing operational cost. This is simply because such manpower requires little training in realizing the target community network, reciprocity norms, and trust objectives of the social capital agenda (Lessman, 2009) [9].

Unfortunately, the potential corruption and rent-seeking risk the approach carries perpetuates fiscal imbalances, fiscal spillover effects, and workers migration, and also significantly undermines inter-entity competition. On the basis of the preceding probable corruption-social capital linkages, it can also be suggested that especially in African-based local governments:

**Hypothesis 4:** Corruption has a positive relationship with public social capital.

## 2.3. Entity Governance

Governance structures of most fiscally-decentralized systems are guided by the conventional view that decentralization increases local entity efficiency and responsiveness in providing public goods and services. Ultimately, economic development is enhanced and inter-entity disparities tremendously curtailed (Burret & Feld Lars, 2014; Trigilia, 1991) [4].

On the basis of their social capital theory, Coleman (1988) [5] and Putnam (1993) [12] also noted that effective governance further mitigates entity costs that often emanate from wasteful and inefficient resource allocations. Later, Arzaghi and Henderson (2005) [3] in congruence with the Coleman (1988) [5]-Putnam (1993) [12] view, indicate that such costs are exacerbated by inter-entity human and capital resource movements. This theoretical-empirical collective position seems to suggest that coordinated governance does not only promote fiscal accountability and transparency, but is extremely useful for administrative stewardship to both central government and the local communities. However, in order to operate such governance standards on a sustainable basis, entities must be guided by focused fiscal policies. According to Andrews (2012) [1] and Mieszkowski and Musgrave (1999) [11], proper fiscal policies capable of nurturing reliable entity governance must be those guided by an independent judicial system.

For instance, electoral and democratic processes within decentralized governance structures offer citizens leverage to motivate efficient local authority officials and also discipline non-performing ones. The officials are rated on the basis of consistent failure to effectively implement regional economic growth-social welfare fiscal measures (Mieszkowski & Musgrave, 1999) [11].

Theory, research and practice also concur that well-governed fiscal decentralization systems induce inter-jurisdictional competition. Social capital theory (Putnam (1993) [12] and quite recent empirical evidence (Rodden & Wibbels, 2010; Stolle, 2004; Weingast, 2014) [14, 16, 18] assert that inter-jurisdictional competition is extremely useful in motivating poorer communities to be innovative. Both Stolle (2004) [16] and Weingast (2014) [18] observe that in Africa, local public innovativeness would not only reduce over-reliance on central government grants, but it would somehow curtail the perpetually embarrassing beggar-tendencies expressed to the donor community.

Fiscal federalism policies in majority decentralized nations of the developing world; those of Sub-Saharan Africa inclusive, emphasize robust sub-national entity governance. Besides, it is that mode of governance that is also set as a pre-condition by funders such as the World Bank and International Monetary Fund prior to financing development-oriented projects (Rodden & Wibbels, 2010) [14].

Much as technical incapacitation and partisan politics are dominant in Uganda, the country's long time fiscal federalism proficiency (Arikan, 2004; Mieszkowski & Musgrave, 1999; Rodden & Wibbels, 2010) [2, 11, 14] has largely been attributed to its local entity governance. Entities with somehow coherent governance structures; notably, Adjumani, Bushenyi, Busia, Kasese, and Mbale districts, have perpetually been associated with smooth fiscal decentralization-social capital linkages.

Guided by the foregoing fiscal federalism-entity governance-public social capital deliberations in regard to especially African-based local governments, it may be logical to propose as follows:

**Hypothesis 5:** Entity governance mediates the fiscal federalism-social capital relationship.

## 3. Methods

### 3.1. Sampling and Data Collection

Relative to the largely documentary evidence-based longitudinal methodology employed in numerous previous studies (e.g. Lessman, 2009; Rodden & Wibbels, 2010; Trigilia, 2001) [9, 14, 17], a cross-sectional design was adopted for this research. Moreover, as emphasized in the work of Ree and Carretta (2006) [13], a single-data collection technique and instrument; a structured questionnaire was found the most ideal in gathering data from the various purposively-and- randomly selected respondents.

For the past ten or so years, Uganda has played host to seven geo-political and administrative regions: western, south-western, central, north-western, northern, north-eastern, and eastern region (Rodden & Wibbels, 2010; Weingast, 2014) [14, 18]. As indicated earlier, the country's north-eastern and eastern regions were purposively-selected in view of their fiscal federalism-social capital inconsistences frequently cited in various empirical investigations (e.g. Andrews, 2012; Mieszkowski & Musgrave, 1999; Stolle, 2004; Weingast, 2014) [1, 11, 16, 18].

From the two regions' recent 43 districts, 9 municipalities and 473 sub-counties (Andrews, 2012; Burret & Feld Lars, 2014; Weingast, 2014) [1, 4, 18], only 28 districts, 5 municipalities, and 311 sub-counties were purposively surveyed. The study target population of 772 people, comprised: chief administrative officers, resident district commissioners, local council 5 chairpersons, town clerks, heads of department, sub-county chiefs, finance-related employees, and community representatives.

On the basis of the Yamane (1973) sampling model highlighted by Ree and Carretta (2006) [13], a target population of 772 breeds a sample size of 263 participants. However, due to instrument administration setbacks, only 241 questionnaires were received back (92% response rate) for effective data analysis. Related methodological research (e.g. Imai, Keele & Tingley, 2010; Mieszkowski & Musgrave, 1999) [7, 11] posits that a 70% response rate is a comfortable benchmark.

## 4. Measures

### 4.1. Community Networks

In order to effectively verify the community networks construct of public social capital, 13 items were used. The items with a Cronbachs ($\alpha$ = 0.871) level of reliability, were related to those in the modified scales employed by Maloney *et al*. (2000) [10] and Stolle (2004) [16]. Sample item: "The networks have no relevance to social capital requirements of this entity."

### 4.2. Reciprocity Norms

This attribute's 11 items ($\alpha$ = 0.794) were measured by an adjusted scales used in the work of Andrews (2012) [1] and Trigilia (2001) [17]. A typical item in this regard runs as follows: "[…] norms enhance fiscal performance."

### 4.3. Social Trust

Social trust component of social capital was analyzed by 12 items ($\alpha$ = 0.818). One such item: "Trust within the community operations can easily be attained", is similar to those in the modified scales adopted by both Stolle (2004) [16] and Trigilia (2001) [17].

### 4.4. Resource Utilization

By means of reformed measurement scales in the work of Arikan (2004) [2] and Rodden and Wibbels (2010) [14], 12 items were used in assessing the fiscal federalism concept of resource utilization. The items ($\alpha$ = 0.847) included the following: "Much as entities emphasize proper resource utilization, it is not feasible practically."

### 4.5. Job Creation

The attribute job creation was measured by 10 items ($\alpha$ = 0.776) designed along similar lines to those in the research work of Mieszkowski and Musgrave (1999) [11]. One of such items read as follows: "The social capital approach adopted by this entity promotes job creation."

### 4.6. Bureaucracy

Numerous previous studies (e.g. Lessman, 2009; Mieszkowski & Musgrave, 1999; Weingast, 2014) [9, 11, 18] consider bureaucracy a critical factor in fiscal federalism. Thus given its potential weight, 15 items ($\alpha$ = 0.883) similar to those in (Lessman, 2009; Weingast, 2014) [9, 18] modified scales were therefore engaged in verifying its social capital influence. Sample item: "In this local entity, bureaucracy is simply misunderstood."

### 4.7. Corruption

The construct corruption was measured by 12 items with a reliability Cronbach alpha coefficient ($\alpha$ = 0.852). The items were almost similar to those in scales used in the empirical work of Maloney *et al*. (2000) [10] and Rodden and Wibbels (2010) [14]. These included the item: "Corruption inspires local authority attention to salient fiscal matters."

### 4.8. Entity Governance

This potential fiscal federalism-social capital relationship mediating variable was assessed by 14 items ($\alpha$ = 0.886). The items were structured in a measurement model related to those employed by Burret and Feld Lars (2014) [4] and Trigilia (1991). One such item ran as follows: "This entity's governance mechanism is very independent."

## 5. Control Variables

### 5.1. Participant Biographical Profiles

In executing the current study, six participant-notable-biographical characteristics: gender, age, marital status, educational level, position held, and period served, were controlled for. In order to observe past empirical advice (Hayduk & Littvay, 2012; Ree & Carretta, 2006; Stolle, 2004) [6, 13, 16], the control action was necessary for mitigating possible compromise influences such factors often have on inter-variable relationship statistical analysis.

### 5.2. Latent Variables

Simulation research (e.g. Imai *et al*., 2010; Maloney *et al*., 2000; Stine, 1989) [7, 10, 15] strongly emphasizes the relevance of controlling any latent variable introduced in the study. According to Imai *et al*. (2010) [7], such factors often subjected to confirmatory factor analysis, are commonly adopted in order to enhance instrument validity verification strength. Given that one latent variable had also been adopted in the study for validity assessment purposes, it was therefore controlled for.

## 6. Analytical Methodology

Analytical procedures for the present research were conducted by means of both SPSS and Analysis of Moments Structures (AMOS) software packages. While SPSS supported participant biographical data, inter-variable correlation and instrument reliability assessments (Ree & Carretta, 2006) [13], AMOS was employed in testing the proposed hypotheses (Lee *et al*., 2011) [8].

The AMOS-based structural equation modelling technique (SEM) (Hayduk & Littvay, 2012; Imai *et al*., 2010; Lee *et al*., 2011; Stine, 1989) [6, 7, 8, 15] was engaged in testing both the direct and indirect (mediation) effects of the proposed study hypotheses. On the basis of simulation research convention (e.g. Imai *et al*., 2010; Stine, 1989) [7, 15], and in order to generate reliable hypotheses test results, a double-strategy approach was adopted to verify hypothesized models-original data consistence. The double-strategy methodology highlighted by the scholars Imai *et al*. (2010) [7] and Stine (1989) [15] involves running two models simultaneously; a measurement and a structural model. Accordingly, the study measurement model; without incorporating any control variable, was subjected to confirmatory factor analysis (CFA) to enhance generation of reliable direct and mediation effects results.

Moreover, the measurement model's goodness-of-fit indices must be strong enough (Hayduk & Littvay, 2012; Stine, 1989) [6, 15]. The structural model; whose main task is largely to provide the target mediation effect statistics (Imai *et al*., 2010; Lee *et al*., 2011) [7, 8], involved loading the latent variables on both the potential mediation factor (entity governance) and the criterion (public social capital).

## 7. The Results and Findings

### 7.1. Biographical Data, Variable Correlations and Instrument Reliability Analysis

As indicated earlier, six participant biographic characteristics: gender, age, marital status, educational level, position held and period served, were investigated but controlled for. Related statistical analysis results stand as follows: Gender: (Male 61%, Female 39%); Age in years: [(25-35) 30%; (36-45) 48%; (46+) 22%]; [Marital status: (Single 26%; Married 67%; Others 7%)]; [Educational level: (Certificate 9%; Diploma 26%; Degree+ 65%)]; [Position held: (administrators and CFO, 20%; Heads of department, 25%; Finance activity-based employees, 34%; Community representatives, 21%)]; [Period served in years: (1-5) 22%; (6-10) 54%; (11+) 24%]; n=241.

Inter alia, these biographical profiles suggest that the surveyed entities engage fairly well-educated and middle-aged personnel who hold family responsibilities. Besides, consistent with past research (e.g. Burret & Feld Lars, 2014; Weingast, 2014) [4, 18], most entities operate gender-balanced structures whose members have the potential to serve society for a long time in future.

Variable means, standard deviations, and reliability including inter-variable correlation and regression coefficients are presented in Table 1. It can be observed that the variables and majority of their constructs depict mean (2.81-3.17) and standard deviation (1.501-1.570) moderate values. Besides, as recommended by previous research (e.g. Arzaghi & Henderson, 2005; Hayduk & Littvay, 2012; Ree & Carretta, 2006) [3, 6, 13], their reliability coefficients also fall within the required [(α = 0.70) – (α =0.89)] range.

**Table 1:** Variable Means, Standard Deviations, Reliability Coefficients, and Correlations

| | M | SD | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Resource Utilizatn | 3.17 | 1.570 | .80 | | | | | | | | | |
| 2. Job Creation | 3.04 | 1.558 | .41** | .82 | | | | | | | | |
| 3. Bureaucracy | 2.98 | 1.546 | .23 | .28* | .79 | | | | | | | |
| 4. Corruption | 3.00 | 1.542 | .13* | .35 | .29** | .81 | | | | | | |
| 5. Fiscal Federalism | 2.75 | 1.543 | .37 | .18** | .15* | .33** | .77 | | | | | |
| 6. Entity Governance | 2.99 | 1.542 | -.27 | .45* | .34** | .12 | -.36** | .88 | | | | |
| 7. Comm. Networks | 2.81 | 1.526 | .43** | .13 | .27 | .16* | -.34 | .33** | .82 | | | |
| 8. Reciprocity Norms | 3.00 | 1.501 | .15 | .17 | .19* | .25** | .29 | .31 | .27** | .84 | | |
| 9. Social Trust | 3.14 | 1.553 | -.19* | .41 | .14 | .36 | .37 | .16* | .23* | -.26* | .81 | |
| 10. Social Capital | 2.81 | 1.559 | .42** | .32 | -.29* | .36 | .48* | .33** | .13 | .25 | .38* | .86 |

**Notes:** Resource Utilizatn= Resource Utilization; Comm. Networks=Community Networks; M=Mean; SD=Standard Deviation; Reliability coefficients in parentheses; **Correlation is significant at the 0.01 level (2-tailed); *Correlation is significant at the 0.05 level (2-tailed); n=241

Moreover, majority inter-variable and construct correlations exhibit statistically-significant coefficients at both (0.01) and (0.05) levels in the 2-tail direction. The coefficients fall within the [(-0.34) - (0.45)] bracket. Notably, social capital positively and significantly relates with fiscal federalism and entity governance to the extent of ($r = 0.48, p < 0.05$) and ($r = 0.33, p < 0.01$) respectively. This implies that as social capital activities improve by 48% and 33%, those of fiscal federalism and entity governance also rise to the same magnitude. Relatively, entity governance and fiscal federalism relate significantly but negatively ($r = -0.36, p < 0.01$) signifying any decline in governance standards instead ignites 36% fiscal federalism progression.

### 7.2. Hypotheses Analysis: Direct and Mediation Effects

The measurement model confirmatory factor analysis (CFA) results exhibited moderately significant item loadings and fair goodness-of-fit indices: ($\chi^2 = 6.815$, df = 8, $\chi2/df = 0.852$; IFI = 0.927; TLI = 0.883; CFI = 0.958; NNFI = 0.973; RMSEA= 0.041; SRMR = 0.07; L.000, H.113). Hayduk and Littvay (2012) [6] commend such results for structural model direct-mediation effects analysis proficiency.

Additionally, the model's CFA structure was employed in Harman's single factor analysis to help establish data common methods variance status. Data under extraordinary common methods variance (CMV) threat often compromise instrument validity and ultimately statistical results (Stine, 1989) [15].

The CMV threat is considered tolerable if Harman's single factor model goodness-of-fit indices compare badly to those of the measurement model (Lee *et al*., 2011; Stine, 1989) [8, 15]. Thus, the current study's Harman indices: ($\chi 2$ =8.764; df = 13; $\chi 2$/df = 0.674; IFI = 0.553; TLI = 0.721; CFI = 0.726; NNFI = 0.894; RMSEA = 0.218; L.000, H.135), suggest that its data set was under minimal common methods variance threat. Moreover, the instrument's both construct and discriminate validity status is quite reasonable (Hayduk & Littvay, 2012; Lee *et al*., 2011) [6, 8]. The structural model employed in verifying both direct and mediation effects of the proposed five hypotheses also depicted fairly strong goodness-of-fit indices: ($\chi^2$) = 2.861; df = 4; ($\chi 2$/df) = 0.715; GFI = 0.974; NFI = 0.909; RFI = 0.895; IFI = 0.985; TLI = 0.968; CFI = 0.989; RMSEA=.003; L.000; H.192).

However, prior to employing the model in the direct-mediation effects analysis, the study variables were first subjected to possible multi-collinearity threat examination. Literature, notably Imai *et al*. (2010) [7], Maloney *et al*., (2000) [10], and Mieszkowski and Musgrave (1999) [11] claims that multi-collinearity; abnormally strong inter-variable correlations, seriously compromises hypothesis analysis results

**Table 2:** Hypotheses Analysis

| Dependent Variable: Social Capital | | | | | |
|---|---|---|---|---|---|
| **Particulars** | **β** | **SE** | **t** | **TV** | **VIF** |
| Direct Effects | | | | | |
| Resource Utilization → Social Capital | .793** | .237 | .742 | .541 | 1.063 |
| Job Creation → Social Capital | -.409* | .576 | .818 | .332 | 4.202 |
| Bureaucracy → Social Capital | .835** | .299 | .381 | .412 | 1.405 |
| Corruption → Social Capital | .627* | .307 | .671 | .609 | 3.236 |
| Indirect Effect Regular SEM Results: | | | | | |
| Fiscal Federalism→ Entity Governance → Social Capital | .483** | .638 | .428 | .427 | 2.184 |
| Bootstrap Results: 95% CI [-0.247] ↔ [-0.043] Adjusted $R^2$ [0.711] | | | | | |

Notes: SE = Standard Error; TV = Tolerance Value; VIF =Variable Inflation Factor; Standardized Beta Coefficents Reported; *p <.05; **p <.01; Bootstrap Sample Size = 2500; CI = Confidence Interval; Hypotheses Status: Hypothesis 1[Supported]; Hypothesis 2[Not Supported]; Hypothesis 3[Supported]; Hypothesis 4[Supported]; Hypothesis 5[Supported]; n = 241.

Generated (Table 2) variable and construct tolerance values (TVs) and variance inflation factors (VIFs); conventional multi-collinearity threat evaluation tools (Imai *et al*., 2010; Mieszkowski & Musgrave, 1999) [7, 11], meet the required (TV < 1.00) and (VIF < 10.0)] benchmarks. Also presented in Table 2, are all the study's proposed hypotheses; both direct and mediation effect statistical results, and its regression model [Adjusted $R^2$ =.711] value.

### 7.2.1. Direct Effects

It had been predicted in Hypothesis 1 that in local government; and particularly in the surveyed Ugandan-based entities, resource utilization and public social capital have a positive relationship. Results of the structural equation modeling-regression analysis (β =.793, p <.01, t-value.742) indicate that the study data support the prediction. Hypothesis 2 stated that job creation activities also relate in a positive manner with social capital in those localities. However, according to the SEM-regression statistical test results (β = -.409, p <.05, t-value.818) generated to that effect, data do not give support to that proposition.

The SEM-regression statistical test results (β =.835, p <.01, t-value.381) and (β =.627, p <.05, t-value.671) in regard to proposed Hypothesis 3 and Hypothesis 4 respectively also suggest that data support both views. As a reminder, it had been submitted as Hypothesis 3 of the current study that bureaucracy relates positively with public social capital. Moreover; as Hypothesis 4, corruption practices and entity social capital set-up coordinate in a positive fashion.

### 7.2.2. Indirect (Mediation) Effect Test

With the support of the structural model mentioned earlier, the study's Hypothesis 5 was also tested. In this hypothesis, it had been predicted that entity governance mediates the fiscal federalism-social capital relationship. As presented in Table 2, the SEM-regression analysis results (β = 0.483, p < 0.01, t-value.428) indicate that data supported that proposition.

For quite a long time, mediation and moderation research (e.g. Hayduk & Littvay, 2012; Rodden & Wibbels, 2010; Stine, 1989; Stolle, D. 2004) [6, 14, 15, 16] has questioned the authenticity of the regular SEM-based mediation output. For instance, Stine (1989) [15] and recently Hayduk and Littvay (2012) [6], affirm that SEM mediation stand may not be substantive enough given its reliance on a single sample framework and latent factor incorporation approach.

Thus, Hayduk and Littvay (2012) [6] recommend a multiple sub-sample methodology; particularly bootstrapping, to fully confirm the SEM mediation results. In the current study, 2500 sub-samples were employed to carry out the bootstrap analysis. The results in respect to entity governance; the anticipated mediation factor, produced a 95% bias-corrected confidence interval (CI) of: [-0.247] ↔ [-0.043]. According to Stine (1989) [15], since the confidence interval or range holds no zero value therein, it is considered statistically significant. Most importantly, however, the non-zero content CI signifies a mediation effect presence. This bootstrap position also confirms the regular SEM-regression mediation position (Hayduk & Littvay, 2012) [6].

In sum, the conventional SEM-bootstrapping mediation joint stand carries the following local entity operations practical connotation: much as fiscal federalism operations can influence changes in entity social capital structure, but without governance intervention, such influence may be unproductive.

## 8. Findings Discussion

Public social capital is generally considered a pivotal constituent of local government fiscal performance (Maloney *et al*., 2000; Trigilia, 2001) [10, 17]. It does not only comprise that cohesive relationships-framework meant to enhance economic development but specifically bonds local development-focused individuals and community leaders (Maloney *et al*., 2000) [10]. Besides, both Andrews (2012) [1] and Trigilia (2001) [17] observe that this individuals-community leadership illumination eventually stimulates local government authority cooperation.

As demonstrated earlier, social capital theory (Putnam, 1993) [12] and literature (e.g. Maloney *et al*., 2000; Stolle, 2004) [10, 16] identify social capital with community networks, reciprocity norms, and social trust. But as previously highlighted by Trigilia (2001) [17], attaining efficient social capital especially in pre-mature democracies of Sub-Saharan Africa, still remains an empirical-practice nightmare.

Nevertheless, two noteworthy traits; fiscal federalism and entity governance, have frequently been quoted (Maloney *et al*., 2000; Stolle, 2004) [10, 16] social capital fundamental drivers. In response, the present study examined resource utilization, job creation, bureaucracy, and corruption; dominant fiscal federalism constructs, as potential social capital predictors. Moreover, entity governance was evaluated for its probable fiscal federalism-social capital linkage mediation capacity.

Consistent with previous research (Mieszkowski & Musgrave, 1999; Weingast, 2014) [11, 18], Hypothesis 1 in which it was forecast that a resource utilization-social capital positive relationship abounds in local entities, was supported by data. But as particularly noted by Weingast (2014) [18], local authorities require appropriate technical capacity in order to manage the available resources effectively. Without trained manpower, entity budgets and related financial management responsibilities cannot be efficiently accomplished (Andrews, 2012; Weingast (2014) [1, 18].

It was also indicated as Hypothesis 2 that in local government, job creation relates positively with social capital activities. Associated statistical results reveal that data did not support the hypothesis. In line with past empirical stance (Arikan, 2004; Lessman, 2009; Trigilia, 2001) [2, 9, 17], such revelation is not very surprising especially in the African local entity setting.

Majority of the region's fiscal federalism nations, Uganda inclusive, are victims of tribalism and pre-mature partisan politics; two critical factors renown for manpower identification and selection compromise. Much as the local authorities endeavor to create job opportunities, potential technical job-seekers seldom access the posts. Ultimately, the self-defeating job creation goal rarely benefits society through social capital (Arikan, 2004; Lessman, 2009) [2, 9].

It had also been predicted as Hypothesis 3 that bureaucracy and social capital have a positive connection. Social capital theory (Putnam, 1993) [12] in association with fiscal federalism literature (e.g. Arzaghi & Henderson, 2005) [3], consider bureaucracy that transparent operational framework meant not only to motivate personnel, but effectively enhance entity objective attainment. In practice, however, Rodden and Wibbels (2010) [14] describe bureaucracy as that mechanism largely characterized by corruption and rent-seeking motives and whose fundamental goal is to create service delays and frustration in order to attract bribes. The Rodden and Wibbels (2010) [14] compromised bureaucracy view pre-dominates the fiscal federalism-social capital triangulation in Africa. The argument is that in the region, most communities appreciate the rampant poverty that surrounds their social settings. Thus, unless compromised bureaucracy is accommodated, social capital set-ups cannot operate effectively. Unfortunately, this mindset tremendously undermines reciprocity norms and social trust; the social capital dimensions stressed by social capital theory (Coleman, 1988; Rodden & Wibbels, 2010) [5, 14].

Closely related to the bureaucracy factor, is the Hypothesis 4 corruption proposition. It had been projected in this hypothesis that in local government, corruption relates positively with social capital. By data supporting this proposal, it ideally implies that in such entities, when corruption practices increase, social capital benefits also rise and vice versa (Arikan, 2004 Weingast, 2014) [2, 18]. This empirical position subsists as long as the entity-local community interactions embrace the related compromised bureaucracy mentioned earlier. Not only in Uganda, but also in other decentralized countries of Africa, corruption is exacerbated by lack of autonomy and independence in the judicial systems (Lessman, 2009; Weingast, 2014) [9, 18].

Finally, it was predicted as Hypothesis 5 that entity governance has a mediation influence on the way fiscal federalism relates with social capital. Consistent with past research (e.g. Burret & Feld Lars, 2014; Trigilia, 1991) [4], this position was also supported by the study data. In ideal entity fiscal settings; as particularly noted by Burret and Feld Lars (2014) [4], a proficient governance or administrative machinery is relevant and inevitable if social capital economic development-oriented goals are to be achieved.

Besides, such a system is capable of coordinating entity authority-local community development exchanges and publicizing them transparently (Burret & Feld Lars, 2014; Putnam, 1993) [4, 12]. Without any bias, however, majority local entity governance mechanisms in Sub-Saharan Africa are rarely autonomous (Trigilia, 1991). In Uganda, for instance, pre-mature politics, ethnicity and tribalism, and manpower selection modalities seriously compromise governance intentions. This malaise; with no potential solution in the nearby future, has ended-up disorganizing community social capital structures in majority local entity jurisdictions (Burret & Feld Lars, 2014) [4].

## 9. Implications for Theory, Literature and Practice

This study is a novel innovation and possibly one of the very first investigations carried out on fiscal federalism-entity governance-public social capital linkages in Sub-Saharan Africa. Previous research has largely neglected these important issues especially in recently decentralized countries like Uganda. The adopted cross-sectional design (Hayduk & Littvay, 2012; Ree & Carretta, 2006) [6, 13] considerably fostered effective capture of related data and formulation of appropriate entity-social capital models. Therefore, guided by prior studies, the current research makes a significant contribution to local government knowledge body.

When theorizing social capital in local settings, Coleman (1988) [5] and Putnam (1993) [12] highlighted the importance of community networks, reciprocity norms, and social trust as broad application concepts. However, these theorists provide no clear position as to what precisely explains the entire social capital mechanism especially in resource-strained entities of the developing world. Related literature (e.g. Burret & Feld Lars, 2014; Mieszkowski & Musgrave, 1999; Weingast, 2014) [4, 11, 18] claims; but equally with no conclusive stand, that the social capital dilemma resides in both fiscal federalism and entity governance.

Findings from this study re-enforce the Coleman (1988) [5]-Putnam (1993) [12] theoretical insights that indeed community networks, reciprocity norms, and social trust constitute social capital. Moreover, it also augments the social capital empirical picture by suggesting that, provisionally, fiscal federalism broadly explains what drives it.

Much as scholars Mieszkowski and Musgrave (1999) [11] and Weingast (2014) [18] identify fiscal federalism elements: resource utilization, job creation, bureaucracy and corruption as global predictors of social capital, this research finds no backing for the job creation attribute. Thus, the current literature position in this regard is accordingly affected and could stand as a potential area of future investigation.

The study findings also extend a leaf of practical implication to local authorities. Developing world entities, particularly those of tribalism-premature politics infected Sub-Saharan Africa, and specifically Ugandan-based, need to appreciate numerous social capital points: First, achieving model levels of social capital on a sustainable basis may not be easy to realize. However, on the basis of the current research findings, effective entity-local community collaboration can be a milestone.

Second, local authority leadership and employees must always endeavor to observe fiscal federalism mandate and institute the mandate within prescribed regulatory provisions. Third, as highlighted in social capital theory (Colemen, 1988; Putnam, 1993) [12], the study findings suggest for fiscal federalism-social capital to benefit entity-community collaborations, an efficient governance mechanism is prerequisite.

## 10. Study Limitations

Just like any other investigation; conventionally surrounded by controllable and non-controllable dynamics, the present study could not avoid challenges. Its findings are based on more or less a single; albeit in-depth case study.

Ideally, only one set of local governments located in north-eastern and eastern regions of Uganda was investigated. The aim was to verify entity-community linkages in regard to the fiscal federalism-entity governance-social capital triangulation.

Previous research; notably Hayduk and Littvay (2012) and Ree and Carretta (2006) [6, 13], indicates that basically such an approach commonly engenders theoretical generalization rather than impactful statistical generalization. In order to generate reliable statistical generalization, Ree and Carretta (2006) [13] and other scholars (e.g. Burret & Feld Lars, 2014) [4] recommend a broad-unit analysis longitudinal study.

It was also underscored in the current study that in local government; resource utilization, bureaucracy, and corruption, predict changes in social capital. However, the fourth fiscal federalism dimension; job creation, holds no predictive clout. Much as the foregoing findings were realized, the research did not fully investigate social capital causality.

Literature (e.g. Rodden & Wibbels, 2010; Stine, 1989) [14, 15] strengthens the causality evidence by proposing three alternative research designs: a longitudinal research design (Rodden & Wibbels, 2010) [14] can be engaged to capture pre-social capital concerns and make inter-entity comparisons. However, Ree and Carretta (2006) [13] caution that identifying other suitable entities to compare with is often a challenge.

Alternatively, an experimental design (Stine, 1989) [15]; given its potential to naturally handle cause-effect connections, can be employed. However, this approach is often constrained by study-control groups' naturalistic settings and the possibility of compromising exterior validity (Burret & Feld Lars, 2014) [4]. As a third option, some research agenda (Lee *et al*., 2011; Stolle, D. 2004) [8, 16] involving administered observational data from longitudinal participants may significantly enhance the study's basic objectives. But as noted by Burret and Feld Lars (2014) [4], this needs support from; say, documentary evidence to back-up any arising claims.

## 11. Future Research Direction

Some of the explanations and suggestions provided by this research may not be comprehensive enough. Therefore they may require supplementary research in order to fully-enrich the fiscal federalism-entity governance-social capital knowledge body. For instance, in Uganda's surveyed local governments, the fiscal federalism attributes; resource utilization, bureaucracy, and corruption were found predictors of social capital.

The other factor; job creation, was found devoid of such capacity. Moreover, the study evidence also holds that entity governance mediates fiscal federalism-social capital relationships

Nevertheless, as specified by related research (e.g. Arikan, 2004; Mieszkowski & Musgrave, 1999; Rodden & Wibbels, 2010) [2, 11, 14], these localities operate in largely tribalistic, non-autonomy judiciary, and premature politics-driven environments. And also given that the investigation was more or less a case study; the findings explanations cannot be all embracing even in some regions of the country where such malaise is mild. Furthermore, those empirical views may not be generally practical in other Sub-Saharan Africa countries. This is so even if such countries practice relatively mature politics, run fairly independent judicial systems, and experience minimal tribalism influences.

Consequently, in addition to engaging alternative research designs; longitudinal, experimental and observational data indicated earlier, re-examining the fiscal federalism-entity governance-social capital configuration in other settings becomes an important direction for future research. Such research remains critical in such countries which have just embraced fiscal federalism a few decades ago, whose local communities are not well-sensitized, and yet economic development is inevitable.

## 12. Conclusion

This study has taken a step in not only creating understandability of the social capital dimension in local government but specifically introduced the possible relevance of both fiscal federalism and entity governance in that set-up. It opens local community mindsets; particularly in African nations, towards entity authority responsibility for economic development and the role they (communities) also have to play. Thus, its dream is that future research critically re-examines the fiscal federalism-entity governance-social formation and paves a way to effective management of backward practices such as tribalism, ethnicity, and judicial prejudice.

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