

# Supporting the Theory on the Potentials of Immobile Resources for Creating Competitive Advantages in Rural Areas

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## Abstract

For many years rural was associated with population decline, degradation of the countryside, population aging, gender inequality, increased unemployment and poverty. However, recent research emphasize that there are peripheral areas that perform good or even better than urban areas which leads to the concept of “differential performance” between rural areas which exist in relatively similar conditions related to geography, location, available natural resources, policies, etc. It is obvious that traditional theories related to rural-urban development processes, cannot explain those performance differences of rural areas with similar characteristics. In this study the authors are presenting key aspects of main development theories that can be connected to the development of rural areas. Likewise, they present the model and significant research efforts supporting the theory on the potentials of immobile resources for creating competitive advantages in rural areas and possibility for economic development (also known as Bryden's theory). In this context, immobile resources are including natural, built, human, social and cultural capital.

**Keywords:** Rural Development, Theories, Immobile Resources

## **Introduction**

For many years rural was associated with population decline, degradation of the countryside, population aging, gender inequality, increased unemployment and poverty. However, literature gives some evidence that the mentioned image of rural Europe needs re-shaping (OECD, 1996; Bollman and Bryden, 1997; European Commission (EC), 1997; Terluin and Post, 2000).

Dower (2013) states that related to The European Union there is a strong need for efficient measurements and policies in development of rural areas mainly for two reasons.

First is that rural areas “contribute to Europe’s prosperity”. For decades, rural areas have provided most of the natural resources upon which an increasingly urbanised Europe depends (Ministry of Regional Development, 2011; Dower, 2013, Wakeford, 2013). They have provided also the necessary skills for exploitation, processing and transportation of these resources. Since there is a growing need for natural resources, and their usage in modern and sustainable way, the role of rural areas is very important. Long et al. (2011) confirm that the competition for natural resources is crucial in current and future development policies for rural areas. Other important fact is gross social and economic disparities between rural regions compared to urban and other rural areas.

However, there are studies that show different results. According to OECD (1996; 2006) there are peripheral areas that perform good or even better than urban areas which leads to the concept of “differential performance” between rural areas which exist in relatively similar conditions related to geography, location, available natural resources, policies, etc. It is obvious that traditional theories (core-periphery or neo-classical) or “new economic geography” related to rural-urban development processes, cannot explain those performance differences of rural areas with similar characteristics (Krugman, 1993, 1999; Kilkeny, 1993, 1998, 1999).

Authors Bryden and Munro (2000) emphasise that the answer is firstly in the potential of local community to recognise, strengthen and utilise less mobile assets in the form of economic, social, cultural and natural capital.

The aim of this study is to present key aspects of main development theories that can be connected to the development of rural areas. Likewise, to conduct an overview of significant research efforts supporting the theory on the potentials of immobile resources for creating competitive advantages in rural areas and possibility for economic development (also known as Bryden's theory). In this context, immobile resources are including natural, built, human, social and cultural capital.

## **Rural Development Theories**

Economic development in rural areas is studied in many disciplines in first place regional economics and rural studies. That is the reason why it is not an easy task to provide an overview of theories on economic development in rural regions. Based on research conducted by Terluin (2001) there are different debates in both disciplines out of which many theories with similar grounds are arising. In further section we will shortly elaborate the chosen ones from the debate in rural studies.

## **Debate in Rural Studies**

This debate has two aspects, on one hand it is concerned with theories on economic growth in rural regions and on the other hand how can it be stimulated by rural development policy. We identified three main approaches:

- The exogenous development approach
- The endogenous development approach
- The mixed exogenous/endogenous development approach.

The key elements of exogenous models (table 2) developed in post-war Europe were economies of scale concentrated in urban areas while rural continuing to be mainly agricultural area that is food provider, source of purchasing power, capital and labour for the industrial sector. That way it is dependant and externally determined by the urban sector. Rural development policy was directed towards agricultural modernisation and creation of employment opportunities in rural areas, however that did not result in sustainable economic development (Lowe et al., 1995; Ward et al., 2005).

Table 1

*Exogenous and endogenous rural development models*

	<b>Exogenous development</b>	<b>Endogenous development</b>
Key principle	Economies of scale and concentration	Harnessing local (natural, human and cultural) resources for sustainable development
Dynamic force	Urban growth poles (drivers exogenous to rural areas)	Local initiative and enterprise
Functions of rural areas	Food and primary products for expanding urban economies	Diverse service economies
Major rural development problems	Low productivity and peripherality	Limited capacity of areas and groups to participate in economic activity
Focus of rural development	Agriculture modernisation: encourage labour and capital mobility	Capacity building (skills, institutions, infrastructure): overcoming exclusion
Criticism	Dependent, distorted, destructive and dictated development	Not practical in contemporary Europe

Source: Ward et al (2005); Buchenrieder et al (2007)

Endogenous rural development means local development grounded on local resources and capacities by which the benefits are kept in the community harnessing local values. The main “theories” belonging to this group represent the grounds of this research study. Those are community-led local development and Bryden’s theory on the possibility of immobile resources to create competitive advantage in rural areas.

### **Community-Led Rural Development Theory**

Based on this theory the main precondition for sustainable local development is strengthening of the self-help capacity of the local actors. It refers to the ability of residents to solve their own problems, by creating partnerships, effective networks, creating adequate local institutional milieu and encouraging and responding to bottom-up initiatives. These are the preconditions for generating and sustaining economic development.

### Bryden's Theory

This theory suggests that the competitive advantage of rural areas should be based on immobile resources, since mobile resources like capital, information and other goods and services, are unstable and open to competition (Brayden, 1998). According to Bryden, differential development of rural areas can be explained by combination of tangible and less tangible factors and their interaction. He grouped immobile resources into following:

1. Social capital
2. Cultural capital
3. Environmental capital
4. Local knowledge capital

### The Mixed Exogenous/Endogenous Development Model

The mixed exogenous/endogenous approach comprises a combination of the exogenous models on rural development till the 1970s and the endogenous models of the 1980s. The mixed exogenous/endogenous model connects rural development to the process of globalization, and acknowledges the influence of technological changes in the ICT sectors. In this context local actors are involved in rural and external networks which vary across regions in intensity, size and direction. This variety emerges since networks are embedded in particular sets of economic, social, cultural and natural conditions that exist in given rural areas (Murdoch, 2000).

Changes in rural areas in recent decades have resulted in a new local rural development model, conceptualized by Ray (2001) as "neo-endogenous development", based on harnessing endogenous material and cultural potential, on developing social capital in business, professional and organisation networks, and impelled by local participative democracy or good local government.

### Research Findings

According to the detailed literature review a following model can be suggested

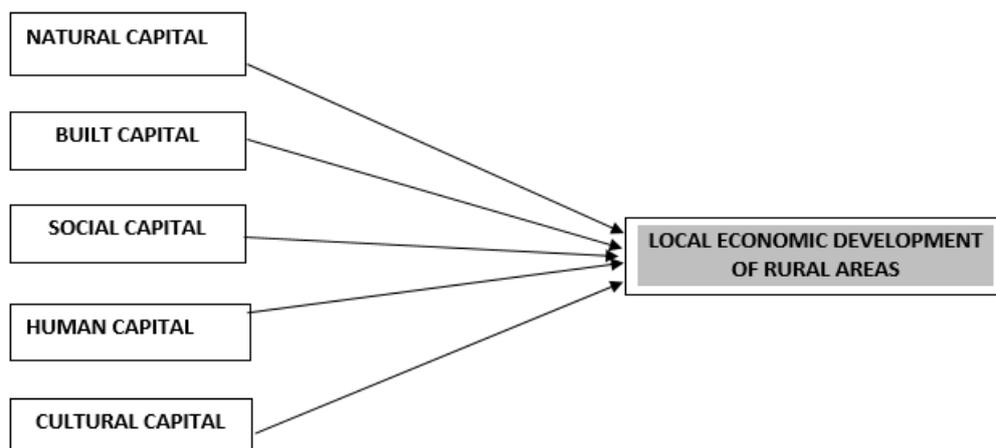


Figure 1. Model of development of rural areas

Source: Author's own design based on Brayden's theory

The model suggests that the main influence on economic performance of rural areas lies in the resources that are embedded in the area. The ability to recognise, effectively valorise and utilise natural, built, social, human and cultural capital is crucial for the development of

those areas. Beside, this model includes the principles of good governance as moderating variable affecting the link between capitals and local economic development. Further on the authors present studies that support these statements for each capital individually.

### **Natural Capital**

Natural capital represents the basis of the community's assets. Although, it can be easily noticed, it is not always easy to measure natural capital or determine its impact in relation to community development (Russo, 2003; Fey, Bregendahl, and Flora, 2006).

MacDonald et al (1999) indicated that in the 1980s, economists began analyzing the relationship between economy and the environment, elaborating that the protection of natural capital required relevant reconsideration of the economic analysis of development. Therefore, environmentally sustainable development must protect natural capital along with social, human, and political capital.

Prugh et al (1999) categorizes natural capital in terms of its direct and indirect economic value. The author was elaborating the conditions of the ecosphere as a place from which useful materials are taken and wastes returned. He was predicting that in future the ecosphere could be overused which would diminish the potential of natural capital to fulfil its main function – life support. Along with that it would fail to provide the resources necessary for economic activity. According to that, he states that the limiting factor of development wouldn't be manufactured capital but natural capital. Few years before Goodland and Daly (1996) stated the same fact. The natural capital shouldn't be considered a free good, "but should be calculated as a limiting factor in development".

Crowe (2006) was investigating how different aspects of natural capital affect the type of economic development strategies pursued by the communities. Conducting the surveys and interviews of key stakeholders in six rural communities' rich in natural assets, she found more willingness of financial institutions to invest in realization of development plans.

According to Agarwal (2009) natural capital has the most important impact on economic development. In rural areas endowed with quality natural assets are many opportunities for residents, farmers and entrepreneurs. Hoggart et al. (1995) also agrees with the growing importance of the environment to the economic growth, development and performance of rural areas, especially related to changes in agriculture and increased relevance of tourism and recreation. "Unsurprisingly the all round quality of the environment turns out to be a key selling point for rural entrepreneurs" (The Carnegie Commission for Rural Community Development's, 2007).

Flora (2000) states that people who are searching for place to relocate are looking at attractive and recreational areas. According to that, communities which are trying to increase their population should concentrate on improving strong tangible asset or natural capital. The new residents would contribute to the social capital and economic development of rural areas. Supporting this fact is a research conducted by Hunter, Boardman and Saint Onge (2005) which showed, looking at 102 families in high-growth recreational areas that small households tend to have higher annual incomes. This resulted with an inflow of financial capital into that community.

Bryden et al (2001) participated in the research that was conducted in 4 countries funded under the Fourth Framework Programme for Research and Technology Development. The project called Dynamics of Rural Areas (DORA) aimed to identify main factors which are causing different economic performance of rural areas with similar geographical and policy characteristics. They analyzed ten factors divided into two groups, tangible and intangible

assets. Natural resources were identified as relevant tangible assets. Their assumption was that for rural economy and development is important to specialise and to find new ways to exploit natural resources.

### **Built Capital**

Along with other forms of capital, many studies have highlighted built capital as one of the major contributors to economic development. Built capital, often referred as infrastructure or physical capital, can be defined as physical infrastructure used to support community activities (Crowe, 2009).

Whitener and Parker (2007) imply that the building and expansion of infrastructure holds the most promise for the well-being of rural communities. Crowe (2009) states that communities with well-managed, high quality built capital have better chance for economic development. Flora et al. (2004) agrees that when infrastructure is available, individuals and businesses are more likely to be productive. Copus et al. (2011) emphasise that infrastructure and access to basic services is of great importance especially in areas with negative population movements or structural economic change.

According to Monier (2011) investment in rural infrastructure not only benefits the rural community and its residents, it also facilitates the creation of new business and survival and growth of existing ones. Built capital is easy to measure since it is physically present and appraised.

According to the literature, there are four major aspects of built capital that need to be considered when evaluating differences in economic performance of rural areas: transport infrastructure, business-oriented infrastructure, consumer-oriented infrastructure (or basic services), and tourism-related infrastructure.

Transport infrastructure is proven to have an impact on costs and outputs and therefore affects the attractiveness and economic performance of a region. It includes issues of availability, quality and maintenance of railways, roads either for transporting goods or passengers.

Business-related infrastructure fosters regional growth since it effects cost reduction and increases attractiveness of region important for new investments. Business-oriented infrastructure includes industrial parks, techno parks, business districts, R&D infrastructure. It also includes infrastructure which is relevant when business are deciding about location or cost structure like energy or water supply, waste disposal, telecommunication. High-speed telecommunications for cellular and Internet access are important for expanding business opportunities, attracting new businesses to the community, and allowing residents to compete in a global economy (Korsching & Allen, 2004). Communities that are lacking this type of built capital are in disadvantaged position related to attracting and keeping businesses (Rainey et al., 2003).

It is well known that new knowledge and advanced technological infrastructure can contribute to job creation in peripheral and less favoured areas. An 'infrastructuralist' approach (Parker et al., 1989, quoted by Richardson and Gillespie 1996) suggests that with assured universal access to advanced infrastructure and services and advice on applications rural areas would have the opportunity to take part in the new 'knowledge- and service-based society'.

Consumer-oriented infrastructure relates to basic infrastructure which improves the quality of life and contributes to the attractiveness of a region for the entrepreneurs,

employees and residents in general. It includes housing market and public and private services like shops, stores, post office, pharmacy and schools.

Tourism-related infrastructure is one of the components for successful tourism development. It includes already mentioned transport infrastructure or access facilities (roads, airports, railways); water and power services. The infrastructure special related to tourism are recreation facilities and services like lodging, restaurants and the various retail businesses needed to take care of tourists' needs.

Research by Terluin et al. (1999), identify infrastructure as one of local resources which is important for the creation of employment in Drenthe, a leading rural region in Netherlands. The authors imply that infrastructure resources connect activities, agents and urban centres and therefore enable efficient trade and mobility of resources and information. They evaluate transportation infrastructure (roads, railways and airports) and telecommunication facilities. The research concludes that the joint attempts to improve infrastructure stimulate employment in leading rural areas.

In the DORA project conducted by Persson and Ceccato (2001) it was assumed "that a sufficient and growth-stimulating regional and interregional infrastructure, which fits regional needs and is of good quality, aids local economic development through a general reduction of costs, an increase of the potential for prosperous future development and the improvement of the quality of life in the region". The researchers assessed all four aspects of infrastructure along with the impact of regional policy on the provision of infrastructure.

Copus et al. (2006) states that the most frequently mentioned aspects of infrastructure and services in business surveys are: transport infrastructure, telecommunication infrastructure and various public utilities. Another important aspect is the existence of adequate educational facilities, which has an important influence when businesses are deciding about their location.

Researching about the development opportunities of diverse types of rural areas in EU-25, the EDORA project (2011) evaluates quality and access to services of general interest as one of the important contributions to the improvement of competitiveness. In this study, the authors conclude that "the situation, availability and prospects of service provision in rural areas is a major driver of change to achieve a long term sustainable development and to help reducing regional disparities".

### **Social Capital**

Putnam's (1995) definition of social capital is one of the most quoted in modern literature. He defines social capital as: "features of social organisation, such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit."

Frequently used method in analyzing and discussing social capital is its division into components: bonding, bridging and occasionally linking (Putnam, 2000). Social capital and the ways how these components were valued were changed with time and progress. According to Kobayashi et al. (2006) bonding social capital is positive and necessary for keeping the village or district together. However it can have negative features as well like: lack of service-mindedness, holding to the outdated values and behaviour, gender relations, etc. Negative bonding social capital can be an obstacle to the new urban-rural relations and development. In relation to bridging social capital an important but not sufficient factor is out-migration. In order to progress, rural areas need to develop new forms of bridging and linking capital.

Social capital research encompasses a wide spectrum of topics within the very broad field of social and economic inequality (Brough et al., 2007). Social capital is measured as an

individual, group or organisation and a collective (community-level) attribute (Acquaah et al., 2014).

The measures of social capital and the economic growth are varying across the studies (Westlund and Adam, 2009).

Next table presents a summary of items used to measure social capital in 314 evaluated studies collected by Acquaah et al. (2014). The items in bold font are the measures that are commonly used in social capital studies by researchers and international organisations.

Table 2  
*Summary Measurement of Social Capital*

SOCIAL NETWORKS	TRUST AND RECIPROCITY	NORMS	CIVIC ENGAGEMENT
<b>Network structure (e.g. density, diversity, centrality, heterogeneity) Relationships, ties and connections Social cohesion</b>	Generalised trust <b>Institutionalised trust</b> <b>Interpersonal trust</b> Reciprocity	Shared norms Civic norms Values Goals	<b>Associational membership</b> <b>Civic participation</b> Political participation <b>Volunteerism</b> Social Support

Source: Acquaah, M., Amoako-Gyampah, K., & Gray, B., Nyathi, N. Q. 2014. Measuring and Valuing Social Capital: A Systematic Review

Research conducted by Zacharakis and Flora (2005) showed that rural communities with high levels of social capital (strong social networks, dominant religion, intergenerational leadership, high levels of trust, and community projects completed in the last five years) had strong community field, which resulted in higher economic development. The same study found following elements in common for the Midwestern rural communities in US: an unbiased local newspaper, financial institutions that contribute to local projects, bonding social capital, bridging social capital, and linking social capital within and outside the community.

The study of Kobayashi et al., gives examples of best practises from the Swedish province of Jamtland (villages Are and Trangsviken). With those two examples the authors come to the conclusion that: “successful social capital building involves building, maintaining and balancing a number of various forms of social capital simultaneously.”

Comparing results for 60 villages in Rajasthan, India, (Krishna, 2001) it is seen that having a high level of social capital does not always help to achieve high development performance. This research showed that the relation of Social capital and village development performance is positive only if combined with agencies or associations strength.

The study of Fröbel and Westlund (2008) identifies social capital in small municipality Orsa in the inland of Sweden. This town was chosen as a positive model related to the creation of more job opportunities and increase in population. The authors analyzed relationships that exist among local government institutions, organizations and private enterprises using social network analysis model. By using the Keystone methodology they identified most important sectors in the community with regards to the flow of information, money and support and service relations. According to the same authors this kind of knowledge related to the one

aspect of social capital can help policy makers in the planning and designing regional strategies for rural areas.

Acquaah et al. (2014) analyzed 314 articles published in the period 1990-2013 in academic and practitioner journals as well as other sources, such as reports from the World Bank. They made a systematic review of definitions, measurements, and values that social capital provides to individuals, businesses and communities. According to their analysis research suggests that the measurement of social capital is multidimensional, and the various components could be summarised into four groups: Networks, relationships and connections; Trust; Civic engagement and voluntary activities (including cooperation, political participation, social participation, associational memberships, community volunteerism, etc.); Civic norms, shared norms and values

In the study by Courtney et al. (2004) is acknowledged that institutions with important role in economic development are social institutions like governments, banks, land tenures, inheritance law and contracts; and public sector institutions which include local governance. The facets of social capital emphasised in this study are institutional capacity and institutional autonomy.

The research that confirms the value of these facets is the DORA project (Brayden and Hart, 2003). The study showed that in majority of well performing regions institutional cooperation and high autonomy of local government enabled higher direct investments to infrastructure and local enterprises compared with lagging regions. The best example is the case of Orkney where it was obvious that “the nature and quality of local governance, including fiscal and decision-making autonomy and co-operation between institutions as well as within civic and private sectors, are clearly linked to successful economic development”.

Westlund and Adam (2010) in their evaluation of 65 studies related to social capital come to the conclusion that it is still hard to determine what is the exact level and way of social capital impact on economic development. The studies they evaluated showed mixed results depending on the spatial level of analysis and number of actors involved. The only fact pointed by authors is that the influence of social capital is mainly indirect. In their conclusion they state that social capital induces co-operation, serves as intermediary in interaction with other capitals and creates the basis for dynamic and creative environment. Another important thing is that the influence is in two directions. Social capital is a pre-condition for development on one hand, and it is increasing through the economic development on the other.

### **Human Capital**

Human capital represents the skills and abilities of people in the community. Contemporary understanding of human capital can be attributed to Becker (1964) who refer to it as “the value added to a laborer when the laborer acquires knowledge, skills and other assets useful to the employer or firm in the production and exchange processes”. More recent definitions of human capital indicate that it is related to the stock of skills, qualifications and knowledge that individuals possess.

Many researchers state that human capital represents one of the key assets that influences rural economic development (Agarwal et al., 2004; Bryden and Hart, 2003; Porter 1990; Reimer 2005, Tweten, 2008)

According to Becker (1964) human capital increases individual productivity and leads to the idea generation. Researchers in the field of regional economics have pointed out that the higher levels of human capital positively affect population and employment, wages, income and innovation (Florida, 2002); and economic growth in the long run. Additionally, higher

human capital enables knowledge spillovers which contributes to the regional productivity, busts innovation and promotes growth (Moretti 2004).

Critics of human capital imply that importance of this capital is decreased because of inability to calculate the return of investment in education (Baptiste, 2001). More critics are directed towards the lack of attention to the fact that some individuals are exceptional compared to others with same level of formal education (Agarwal et al., 2004). This leads to the question of measuring human capital. In labour economics, Mincer (1958) introduced educational attainment as one of the first factor to measure human capital. This was followed with analysis of how different wages could be explained by the amount of schooling and further by on-the-job training investments (Mincer, 1958). Because of great application of Mincer function in labour economics, it was normal to take school attainment as a measurement of human capital in growth models (Hanushek, 2013).

Many policies promoted by the World Bank and other development agencies indicate the importance of health and nutrition in developing human capital. Other studies point to the significance of skills in measuring human capital by using international assessment test of math and science. However, cognitive skills of the population – rather than mere school attainment – are powerfully related to individual earnings, to the distribution of income, and most importantly to economic growth (Hanushek, 2013).

According to Flora et al. (2004) main factors of human capital are formal and informal education, well-being of a person and leadership. Related to this she points to the fact that, investment in education, trainings and health services, represents investment in human capital.

During the years, different authors have emphasised a number of factors that comprise human capital and that are influencing economic performance of regions and among them rural areas. As stated in the research by Terluin (1999) identified are: education and skills; leadership; entrepreneurship; demography; migration; access to services; housing; quality of life; and rural-urban interactions.

Each of these identified factors has number of aspects and all of them can be considered firstly as an input into the production process. The relationship between them is different as well as the influence on the performance level of an area (Agarwal et al., 2004).

Many researchers emphasise that human capital may have an even greater role in the future because of the constantly increasing knowledge-intensive activities in most areas.

### **Cultural Capital**

Cultural capital has a range of definitions, many of which contrast each other. Matarasso (1999) states that it represents one aspect of human capital that can be obtained through education, training and cultural activities. Agarwal et al. (2004) cites Gould who “considers it to be a form of social capital that is generated when the sharing of culture through celebrations, rites and intercultural dialogue for example, enhances relationships, partnerships and networks within a community”. Geertz (1993) describes cultural capital as identity of people and communities they live in, which includes history, traditions, customs, language, art, music and stories associated with the place. Many authors agree that cultural capital consists of community symbols, traditions, language patterns, festivals, celebrations, and other events.

In DORA project (Persson and Ceccato, 2001) ‘Culture’ includes local traditions, identity, values and beliefs, attitudes, religion, history and leadership as well as political beliefs and

allegiances. All these aspects are expected to indirectly influence economic performance of rural areas.

According to Flora et al. (2004), cultural capital determines “how we see the world, what we take for granted, what we value, and what we think possible to change”.

Bernard Kayser (LEADER Magazine, 1994) introduced two aspects of culture: Culture of the people and culture for the people; pointing to the set of lifestyle, identity and norms and values on one side and set of services made available to the population like cinemas, theatres, museums, etc. Both aspects are closely related to economic development. Another important issue related to culture is the preservation of variety as a major asset for local culture. The nature of differences of areas, villages and social groups is culture. Policies and strategies of rural areas should include the aim to emphasize and promote those differences.

Cultural diversity of rural areas enables activities which can generate added value and create job opportunities. In LEADER magazine of European Commission (1994) it was stated “In terms of culture, there are few rural regions which are underprivileged; full of history, traditions, forged by the work of generations of men and women, they usually possess a rich heritage or a strong cultural identity. Local culture, a source of activities, pride and well-being can be a major asset to development”. LEADER Projects

According to Dower (2013) typical culture of an area can: develop strong sense of identity and pride and create important component for the community members to take initiative in local development; enrich the life of residents; strengthen the local economy by attracting in-migrants and tourists.

This connection between sense of identity and the ability to take initiative was well elaborated 20 years ago in the “Strategy for Rural Europe”, published by the European Council for the Village and Small Town ECOVAST, 1991): “A major factor in the well-being of rural communities, and in the sustaining of the services, is the vitality they have in the sustaining in social and cultural terms. This vitality is reflected in traditional customs and festivals, and in minority languages and cultures, which have high importance to the people and which also contribute to the cultural richness of Europe. It may be reflected also in the confidence with which rural communities tackle the own problems, cooperate with each other in their social organisation, and adapt their collective systems to modern needs.” (In Dower, 2013, p.22).

Cultural capital is transferred from one generation to the next by social institutions, which emphasise values and promote connections among people and by families as most important transmitters. Flora and Flora (2008) imply that rural families are aware of the opportunities and threats of their communities and they direct their children according to those. Therefore, “cultural capital, which includes the values of self-improvement, optimism, and industriousness, along with the knowledge and connections that function as a source of social status within the rural community, are transferred from parents to their children, in order to ensure their economic survival” (Tweten, 2008).

The importance of cultural capital in economic development of rural areas is increasing. Cultural activities are usually related to tourism, heritage and historical and local identity. Possibilities for creating economic benefits range from importance of cultural activities and creative industries in attracting innovators, talents, companies and tourists to the role of creativity as a resource of local and regional production. However, Copus et al. (2006) indicated that we are lacking information on the significance of cultural activities in rural areas to development, more specific, employment. The existing statistical tools, for example in EU, are not appropriate to capture this sector properly and to enable comparability.

The authors of DORA project (Brayden and Hart, 2001) conducted qualitative analysis of the influence of community and culture on the economic performance of rural areas. Among other information, they collected opinion from local residents about cultural capital in selected areas. Their findings showed that culture represents an important asset in well-performing areas studied. The example was Orkney, which developed a very specific identity and image which marketed the area as tourist destination. Local pride was increased by gaining a world heritage status. The other example was Caithness, which is not significantly different from Orkney. However, the place lacked local identity and adequate marketing strategy related to tourism. These examples showed the importance of the relationship between local identity of people and place and what they sell on global market.

The study of Courtney et al. (2004) identified following factors of cultural capital relevant for the economic performance of rural areas: degree of commercialisation of heritage, environment and identity; existence of heritage places and their state; and civic engagement. In their multi-case study evaluation there is clear evidence that areas with a backward-looking, fatalistic culture and/or fragmented communities and social groups have difficulty in reaching economic development. The strength lies in the group action, consensus and common purpose. Along with that the recommendation is in developing cultural events significant not only for residents.

Stofferahn (2012) used The Community Capitals Framework to analyze recovery efforts faced by North Dakota rural community that was nearly destroyed by tornado. The research indicates that the key in mobilizing the political capital were cultural, social and human capital. Mobilized political capital was necessary to reach financial capital needed for restoring built capital. This analysis put cultural capital as most important, because it determines how a community engages in collective action.

## **Conclusion**

Rural economics as a discipline does not exist, so in order to compose and overview of the theories on economic development related to rural regions, we had to turn to other disciplines. Thus, we turned to the multidisciplinary field of rural studies and theoretical debate within it. Rural sociologists, rural geographers and agricultural economists are among the main participants in this debate. The central issue in these approaches is "How can rural areas be directed towards sustainable economic development path?" In this debate, three chronological phases are mentioned: the exogenous development model, the endogenous development model and the mixed exogenous/endogenous development approach. Endogenous development approach assumes that rural development is mainly determined by local impulses and local resources. This research tried to give an overview of recent studies in favour of this approach. There are many facets explaining the influence of each immobile resource on local economic development in rural areas. Especially we can emphasise: availability, effective valorisation and usage of natural capital; quality and availability of infrastructure and related services as factors of built capital; Institutional efficiency and effectiveness, social networks, trust and civic engagement as factors of social capital; quality of education and skills, demography and entrepreneurship as factors of human capital; the availability, effective valorisation and usage of cultural capital. However, there is a strong need for empirical research that will test this theory and the synergy of the immobile capitals. Likewise, the external factors need to be identified and included in the model as moderating variables. Only then, some recommendations can be derived for rural areas economic growth and prosperity.

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