

## **Territorial Capital – A Theoretic Framework of Innovation Systems of Rural Areas**

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In the past decades, rural areas came through significant changes in whole Europe and in Hungary too. Due to the relevant social and economic changes, countryside areas have important functions beyond agriculture.

In my paper, with the aim being thorough literature review, I examine the concept of territorial capital, which appeared a decade ago already in policy documents, but the scientific framework has been outlined in the recent past. My paper's logic as follows: first, I'll shed light on the way which lets us understand the essence of such a complex approach. So, in this part I review the processes of rural areas both in Hungary and in Europe. Later, I examine the presence of innovation systems in countryside what belong to the valorisation of endogenous development. Such way I can describe the Agricultural Innovation Systems (AIS), which today already have relevant literature. In the second logical unit of my work I highlight of complex approach of territorial capital.

*Keywords:* territorial capital, rural areas, agricultural innovation systems

## **The Importance of Social Capital in Economy, and its Role in the Social Construction of Innovations**

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The concept of „social embeddness” was summarized by Granovetter, based on the result of sociology and economics and network paradigms. Regional science underlines the role of social relations behind economic performance, transactions of business networks, and institutional background of innovation system.

The social capital is a possible answer for forming the network mechanisms of social-cultural space. Social networks can be identified as the appearing form of social capital, where the connections are based on values, norms, trust, information; social capital means the manifestation of mechanism behind cooperations and actions in society. As institutional background the social capital includes principles in economic and social interactions, such as fair competition, co-operative behavior in common actions, learning, knowledge diffusion, and forms the space for business transactions, creation of network-based resources, and shaping innovation processes.

*Keywords:* social capital, economic networks, innovation