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Research Paper

The Impact of Social Capital on Economic Growth: in Selected Developed and Developing Countries[1]

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INTRODUCTION

Malthus (1798) Considered Natural Resources as the Factor of Economic growth and Development. In the 1950s, Physical capital was considered the Most Important factor of Economic growth, Romer (1986) Considered Human capital as the Factor of Economic growth along with Physical capital. In this period, less Attention has been paid to Social Interactions and the Role of Values and Culture and, in General, Formal and Informal Institutions in Economic growth and Development. In this period, less Attention has been paid to Social Interactions and the Role of Values and Culture and, in General, formal and Informal institutions in Economic growth and Development. Traditionally, the Existence of three types of capital (natural, physical, and human

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capital) together was considered the most important Factor for Economic growth and Development. Studies conducted in the category of economic growth accounting show that the main part of the economic growth Achieved in Countries is not explained by the traditional institutions of labor and capital. In endogenous growth models, it is believed that the Internal Mechanisms of an Economy, which Provide Suitable Conditions Including Education, Research and Development, and in General, Suitable Social Infrastructure for Technological growth, play an effective role in Economic growth.

The aim of the Presenters of Endogenous Growth Models is not to ignore the Capital factor, but in a deeper analysis, they emphasize the factors that create technology and its growth mechanism as the Main Source of Economic growth, one of these factors is social capital. In Endogenous growth Patterns, in addition to the Traditional factors Affecting growth (labor and capital), a Range of other Social-political Approaches and Requirements Such as the Development of Human capital, Creation of Social capital, Research and Development, Favorable Political Conditions, and Economic Freedom are Emphasized. Therefore, the main goal of this Research is that social capital has a greater impact on Economic growth during the period of 2009-2021 in which group of Developed and Developing countries?

MATERIALS AND METHODS

In this Research, the Study of the Effect of Social capital on Economic growth in Selected Developed and Developing countries based on theoretical and Empirical Foundations, Especially Following the Research of Morgan et al. (2021), Relation (1) has been described as the Experimental model of this Research.

$$GDP_{it} = \beta_o + \beta_1 Soc_{it} + \beta_2 Gsf_{it} + \beta_3 Lf_{it} + \beta_4 Tr_{it} + U_{it} \ (1)$$

According to equation (1), the independent and dependent variables of the model are

The dependent variable:

GDP=the percentage of GDP changes (economic growth index)

Soc= Social capital index

Gfc= Capital stock (percentage of GDP)

Lf = Labor force (working population to total population)

Control variable:

Tr =The degree of openness of the economy (sum of exports and imports to GDP)

The Pooled intergroup (PMG) Method was developed by Pesran et al. (2001). It estimates Homogeneity Coefficients for all Sections in the long run. However, in this method, the estimated short-term Coefficients for Each Period are Heterogeneous to Adjust toward the long-term Equilibrium. In this method, the Error Correction Coefficient should be Negative and the Residual terms of the Error Correction Model Should be Uncorrelated.

RESULTS AND DISCUSSION

Social capital has had a Positive effect on Economic growth. So, increasing one Unit of Social capital has led to an Increase of 1.28 Units in Economic growth. Increasing one of the Capital stocks, the Economic growth has increased by 1.54 units. An increase of one unit in the workforce Increases the Economic growth by 0.09 units. The degree of openness of the economy has had a positive and significant effect on economic growth. So, with an increase of one unit, the economic growth has increased by 1.373 units

In the Long term, with the Increase of one Unit of Social capital, the Gross Domestic Product per capita has increased by 1.24 units. With the Increase of one Unit of Capital balance, the Gross Domestic Product has increased by 1.935 units.

With the Increase of one Unit of the Workforce, the Gross Domestic Product has increased by 0.05 Units. With an increase of one Unit in the Degree of Openness of the Economy, the Gross Domestic product has increased by 1.373 Units, according to the Theories of Endogenous growth, the Increase in the Degree of Openness of the Economy, through the improvement of technology, it can lead to an increase in GDP.

In the Short term in Selected Developing Countries, an Increase of one Unit of Social capital has led to an Increase of 0.76 Units in Economic growth. With an increase of one Unit in the Capital balance, the Economic growth has Increased to 0.0007 units. The Labor Force has had a Positive Effect on Production and growth. So, with an increase of one unit in the labor force, the gross domestic product has increased to 0.256 units. The degree of openness of the economy has had a positive and significant effect on economic growth and has led to an increase of 0.21 points in the GDP. So, the Degree of Openness of the Economy has led to an Increase of 0.05 Units in Economic growth.

In the Long term, social capital has had a Positive and Significant Impact on the Production of Economic growth. So, an increase of one Unit in the Indicators of Social capital (Trust, Citizenship Participation, and Civil Participation) has led to a growth of 0.39 in Economic growth. In developing countries, the Impact of Social capital on Increasing Economic Growth has been lower than in developed countries. This shows that in developing countries, due to the low social capital indicators (Low level of Public Participation and Civic Participation), it has had less Impact on Economic growth. Capital stock has had a positive and significant effect on economic growth and has led to an increase of 0.02 in the production of economic growth.

The workforce has had a positive and significant impact on the GDP. So, with the increase of one unit of labor force, the economic growth has increased by 0.48 units. The degree of openness of the economy has had a positive and significant effect on economic growth and has led to an increase of 0.21 points in domestic economic growth.

CONCLUSION

In Developing Countries, Governments Strengthen and Improve Economic growth Through the Components of Social capital, including; Increasing People's trust in Rulers and Increasing Social Partnerships between People.

Keywords: Social Capital, Economic Growth, Developed Countries, Developing Countries, Panel ARDL.

JEL Classification: A14, C22.