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The Impact of Social Capital and Institutional Quality on Economic Growth

Summary

The concepts of social capital and formal institutional quality are getting more importance in the debate on the determinants of economic growth. In order to determine a deeper context of the interrelation between those concepts, in this thesis the author has tried to analyze how interpersonal trust, considered as a valuable asset, can enable people to build important relationships with one with another and help to secure their individual resources and well-being over time. At the same time we have explained how a strong institutional environment can create a proper incentive structure in an exchange process that will enable to uphold confidence between people within the community through equal access to regulation and legislation.

Taking into consideration this importance to the development of formal regulatory institutions as well as the informal ones, like norms, trust and cooperation between people, to economic growth, the present work has explained to what extent the classical literature illuminates the effect of social capital and institutional quality on economic growth and also identified through which mechanism such qualitative factors can generate a high return in the economy.

Two innovations were drawn out in the present work. *Firstly*, it analyses the different transmission channels through which social capital impacts economic growth and *secondly* examines the different impacts of such qualitative factors on economic growth for various

